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ABSTRACT

The second in a series of four technical reports, this study surveys public education finance in Oregon by focusing on the appropriations for education out of state revenues, on the role of property tax levies for local government support of schools, and on the funding and expenditures at each level of the state's public education. An outline of revenues and expenditures from the state's General Fund and other state revenue sources shows the extent of state support for education. The heavy reliance of Oregon school districts on local property taxes is explained through the types of property taxes levied and the methods of computing tax rates. The respective revenue sources and major expenditures of each component of public education are then examined, with salient features of the finance system highlighted for each level. A summary comparison of data from each sector focuses on the relative levels of appropriation, enrollment, state appropriations per student, school expenditures per student, and state support of operating expenditures. Tables provide figures on state and local tax revenues, state expenditures for educational programs, and overall educational revenue and expenditure at each level of public education. (JW)

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A Guide to Education Finance In Oregon

EA 016 072

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A Guide to Education Finance in Oregon

April 1983

FORE

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Technical Report #3
PUBLIC EDUCATION FINANCE IN OREGON

I. A GUIDE TO EDUCATION IN OREGON

Introduction

This report provides an overview of public education finance in Oregon. It is intended for a wide audience with a varied depth of knowledge about education finance and Oregon's tax system.

The report serves dual purposes. First, it is descriptive, providing a cross-section view of the current finance system. Second, it is analytical, drawing comparisons between education sectors and discussing trends.

Oregon's education finance system is not simple. It includes both state agencies and local governments, with each education component getting funds from federal, state and local sources.

The report is the third in a series of four technical studies of education finance prepared for the Foundation for Oregon Research & Education. The other reports are:

- A summary of Oregon opinion leaders' views on education finance issues.
- An overview of the state's public and private education systems and institutions.
- In-depth financial analysis of one component of the public education system.

The report is organized to highlight the financial interrelationships that exist among education components. In an era of increasingly limited public resources, local school districts are very much affected by state appropriations to other uses, such as social services, higher education, or property tax relief.

Furthermore, property taxes levied by school districts have a significant impact on community colleges, education service districts, and the entire state General Fund.

To explain these interrelationships, the report covers:

- * The State General Fund, that portion of state revenues from which much of education is funded, followed by a brief discussion on other state funds.
- * Local government budgets and revenue sources, focusing on local school districts, community colleges and education service districts. Included is the property tax, the bulwark of local education finance: how it works in Oregon, and its impact on the entire state finance system, including the General Fund.
- * A detailed analysis of the financing system for each component of the state's public education system, including elementary and secondary, education service districts, community colleges, and state colleges and universities. Revenue and expenditure characteristics, and significant trends, are discussed.

Summary of Findings

Analysis of the components of Oregon education finance provides several important observations:

- * State appropriations to education as a percent of the State General Fund (exclusive of property tax relief) have declined over the past 15 years from 57.8 percent in the 1967-69 biennium to 48.0 percent in 1981-83.
- * Elementary and secondary education has fared better than other education components. It has maintained a relatively constant share of the General Fund, while Higher Education's share has fallen from 24.4 percent of the General Fund in 1967-69 to 12.8 percent in 1981-83.

- * While the General Fund appropriations have grown at an average rate of 26.4 percent per biennium since 1967-69, Basic School Support appropriations have grown faster -- 27.2 percent per biennium. Overall state education expenditures in the same period have risen only an average 23.0 percent per biennium.
- * Community colleges are experiencing more students and a smaller percentage of state support for operating costs -- down to 31 percent from 40 percent in earlier years.
- * Lower Division Collegiate course enrollment at community colleges has risen in the past decade, as has vocational/technical enrollment and other enrollment. Lower division enrollment at state colleges and universities has declined.
- * Elementary and secondary expenditures per student have increased faster than the rate of inflation for the past 15 years -- 11.2 percent compared to 7.6 percent average annual inflation. Higher Education expenditures per student have exceeded the rate of inflation over the past 15 years, but have increased less than inflation for the past 5 years. Community college expenditures per student have increased less rapidly than inflation for the past 15 years.
- * Education Service Districts are a relatively low-profile, yet fast-growing component of Oregon education. ESDs now provide over \$100 million service per year, financed mainly by local property taxes. ESD operating budgets for the past two years increased 21.6 percent and 14.8 percent statewide.

II. STATE FINANCE AND EDUCATION

This section provides an overview of state finance in Oregon, explaining the state's role in providing funds for education. The General Fund is discussed first, covering revenue sources and expenditures. The Non-General Fund is then discussed to provide an overall view of the total state budget.

Highlights:

- * Two-thirds of the state General Fund is appropriated for Basic School Support, Property Tax Relief, Higher Education, Community Colleges and other education programs.
- * Property Tax Relief competes with Higher Education, Basic School Support, and state agency budgets for limited General Fund dollars.
- * Half of the General Fund goes to transfer payments that help reduce local property taxes.

The State General Fund: Revenue Sources and Appropriations

Oregon's General Fund for the 1981-83 biennium is approximately \$2.92 billion. This fund is used to finance general state government, i.e., fund agency budgets, and for transfer payments (grants) to local governments, including school districts. General Fund revenues are raised by state taxes, fees and other earnings.[1]

General Fund Revenues

General Fund revenues are mainly derived from the personal income tax. The personal income tax is estimated to produce \$2.2 billion, or 76.1 percent of total revenue for the 1981-83 biennium. The percentage share produced by the personal income tax has increased in recent years, growing from 69.3 percent of the total in 1977-79 and 71.9 percent of the total in 1979-81.

Personal income tax as a percentage of total state and local taxes for 1979-80 was highest in Oregon among the thirteen western states. Oregon's 33.7 percent

compares to California's 23.3 percent, Idaho's 22.4 percent and Colorado's 16.1 percent. (Washington has no personal income tax.)

Corporate taxes are the second largest revenue source, producing \$260.9 million, or 9.0 percent of total revenue. The corporate tax share of the total General Fund has been decreasing: down from 13.5 percent for the 1977-79 biennium and 12.4 percent for the 1979-81 biennium. The 1981-83 percentage share is low because of poor economic conditions. Corporate profits are low, thus tax receipts are low. Also, personal income tax rates were increased for 1982 by the Legislature in the March 1982 special session, further diluting the corporate share of the total. In addition, percentage shares of all income sources in the preceding bienniums were affected by federal revenue sharing dollars included in the General Fund.

There are no other large revenue producers.[2]

Cigarette taxes produce 3.5 percent of the total, an increase due to additional taxes of 10¢ per pack (total tax is 19¢ per pack) levied only in this biennium. The cigarette tax percentage share in 1977-79 was 2.3 percent.

Gift and inheritance taxes produce 2.2 percent of the total, but a gradual phase out of inheritance taxes by 1986 will result in a diminished share each successive biennium.

Liquor profits allocated to the state accounted for 2.8 percent of the total, which has been fairly constant over time. Insurance taxes were 2.1 percent. The remaining taxes, fees, and earnings comprise only 4.3 percent of the General Fund.

General Fund Appropriations: Half for Education, Plus More for Tax Relief.

General Fund expenditures for 1981-83 approved by the Legislature by the June 1982 Special Session totalled \$2,918.4 million. This left an ending balance ("reserve") of \$3.9 million.[3]

Some highlights of General Fund Appropriations:

The education sector accounts for 48.0 percent of all appropriations -- and that excludes appropriations for property tax relief, of which primary and secondary schools and community colleges are major beneficiaries.

A total of 50.2 percent of the General Fund is used for transfer payments to local government.[4] These include direct grants to schools, community colleges, and property tax relief. Each of these are discussed in more detail later in this report.

Education's percentage share of the general fund has declined over time, from 57.8 percent in 1967-69, to about 48 percent for 1981-83.[5]

Basic School Support -- the state's major appropriation to elementary and secondary education -- has fared better than higher education and community colleges. Higher Education has fared poorly, with its percentage share dropping from 24.4 percent to 12.8 over the 7 bienniums.

Figures show the Legislature has not tied education's appropriations directly to fluctuations in the General Fund.[6] In the latter 1970's, education appropriations increased less rapidly than the General Fund, and in the early 1980's have grown faster than the General Fund.

Non-General Fund Revenues and Expenditures: More than Meets the Eye

Although most of the legislature's activity and debate centers on the state's \$2.9 billion General Fund, there are large amounts in other funds. The Non-General Fund category, amounting to \$12.3 billion for 1981-83, is seldom the topic of public discussion. Non-General Fund dollars consist of federal funds, proceeds from bond sales, certain taxes and fees and other revenues. Most such revenues are called "dedicated" funds that are restricted to certain uses. The legislature does not have discretion over these funds, yet many are taxes and fees paid by the public. Examples include gasoline taxes, tuition at the colleges and universities, vehicle license fees and hunter and angler fees.

Total Non-General Fund dollars for the 1981-83 biennium, as approved at the 1981 regular legislative session, are estimated at \$8.2 billion. Bond sales, retire-

ment system contributions, interest earnings, federal funds and workers compensation insurance taxes are the largest revenue categories, together accounting for 75 percent of the total.[7] The \$8.2 billion revenues, plus a \$2.9 billion beginning balance and an additional \$1.2 billion in federal funds adds up to \$12.3 billion. Appropriations and transfers total about \$8.4 billion, leaving an ending balance of \$3.9 billion.[8] This balance includes trust funds dedicated to particular purposes, such as workers' compensation, special reserves, public employees retirement, unemployment insurance reserves, and home loan bond proceeds.

Non-General Fund revenues were increased by over \$50 million after the January-March 1982 special legislative session. General Fund revenues, discussed earlier, were decreased during the special session.[9]

III. LOCAL GOVERNMENT FINANCE AND EDUCATION

In Oregon, local government consists of all governmental units below the state level: cities, counties, school districts, community colleges, education service districts, fire districts, park districts, and a myriad of other special districts. In public dollars spent, schools are the dominant local governmental unit. In fiscal year 1979-80, schools accounted for 46 percent of local government expenditures.[10]

Schools rely more heavily on the local property tax than does any other local taxing unit.[11] Over half (59 percent in 1981-82) of property tax levies are for elementary and secondary education. To understand Oregon's system for state and local school finance, an understanding of the property tax is essential. Schools also rely heavily on state transfers, i.e., Basic School Support Funds, discussed later in this report.[12]

Cities and counties use alternatives to the property tax.[13] Cities typically collect a range of fees and charges -- water and sewer fees, permit fees, fines, etc. Both cities and counties receive a portion of the revenues collected at the state level from cigarette taxes, amusement devices (such as coin-operated electronic games), and liquor receipts. Some cities and counties also have selected excise taxes, such as a tax on hotel/motel lodging.

Oregon's System for Local Finance: Budgets and Property Tax Levies

Local governments in Oregon must prepare and adopt an annual budget -- a financial plan that estimates expenditures and revenues for a single fiscal year (July 1 through June 30). The budget describes programs for the coming year, controls the local government's spending authority, and is a vehicle to obtain public input on how funds are to be spent and what services are to be provided. For local taxing districts, a budget committee of local citizens determine the needs and resources of the district for the coming year. In school districts, the property tax is the major resource available.

Property taxes are the "budget-balancer" for local government. As shown in the example below, the property tax levy sought from the voters is whatever amount is needed to meet the agreed-upon budget needs:

	District's Budgetary Needs	\$1,100,000
less	<u>Other District Resources</u>	- <u>600,000</u>
	Property Taxes Needed	500,000
plus	Estimate of Taxes that will not be paid (uncollected)	+ <u>50,000</u>
	Property Tax Levy Submitted to Voters	\$ 550,000

Two items to note in the example: (1) Not all of the property taxes will be collected in the current tax year. Oregon allows a 3% discount for current taxes paid in full (while other taxpayers will be delinquent in their payments), and (2) voters do not vote on budgets -- they vote on property tax levies. The budget committee and governing board determine how taxes and other resources will be spent. Taxpayers must influence these groups to affect spending decisions.

There are several types of property tax levies: tax base levies, special levies, serial levies and others. A brief description follows of the major levy types:

Tax Bases are the foundation of the property tax system. A tax base is a dollar amount of property tax that can be levied by a district year after year without annual voter approval. Voters need only approve initial establishment of the tax base. The base can grow at 6 percent each year without a vote. If more is needed, Oregon law requires that special levies, (explained below) be submitted to voters.

Voters can be asked to approve new tax bases only at a Primary (May) or General (November) election in even-numbered years -- 1980, 1982, 1984, etc.[13] Once the base has been established, the district can levy that voter approved amount or add up to six percent to the largest of the amounts certified as the tax base in any one of the last three years in which a tax was levied. Usually districts will levy last year's amount plus six percent.

Tax bases are considered desirable by the legislature because:

- Their existence can eliminate the need for costly annual elections,
- They control local district property tax growth at a relatively reduced rate -- 6 percent or less
- Tax bases permit some local government services to continue even if voters refuse to approve additional levies, i.e., voters are not faced with an "all or nothing" funding choice.

Special Levies are the annual levy elections that are most common to Oregon voters. Taxing districts may ask voters to approve one-year special levies that are above (outside) the tax base. Many districts do not have a tax base and have inadequate bases. They therefore must seek approval annually of special levies in order to finance district operations.

It is common for a district to have a tax base and to also ask for approval of a special levy. For example, a district may have a tax base of \$1,000,000 in 1981, and in 1982 need \$1,150,000 to operate. The 1982 tax base will be \$1,060,000 -- which includes the 6 percent allowable growth. It will be levied automatically, not needing voter approval. The remaining \$90,000 must be requested in a one-year special levy (or multi-year serial levy, explained below) that requires voter approval. Although the taxpayers vote only on the \$90,000 special levy for 1982, the total taxes to be levied are \$1,150,000.

As of May 1982, 46 of Oregon's 309 primary and secondary school districts (15 percent) did not have any property tax bases. Of those with tax bases, 145 had levies that were within their tax base for 1982-83. [15]

Serial Levies are 3-year or 10-year special levies. Serial levies are similar to special levies, except that taxes are authorized for specified years. There are two types of serial levies: (1) regular serial levies, for which voters approve a dollar amount, and (2) tax rate serial levies, for which voters approve a tax rate.

The regular serial levy can be approved once for up to ten years. A maximum of ten years can be authorized for non-operating uses (such as a construction project). A maximum of three years may be authorized for operating purposes. The dollar amount of serial levies must be levied uniformly, or substantially so, for each year. Thus a three-year \$3 million serial levy for operating

purposes should be levied \$1 million per year. A ten-year levy for non-operating purposes should yield approximately \$300,000 per year.

A Tax Rate Serial Levy consists of an approved tax rate per thousand dollars of assessed value, which can be levied for a maximum of three years, whether for operating or non-operating purposes.[15] True Cash Value is synonymous with "market" or actual value. Assessed value is an artificial value used to compute taxes. For the 1981-82 fiscal year, 10 districts in Oregon had tax rate serial levies.

Bond Levies are levied to pay off bonds. Taxpayers vote on whether or not the district will be allowed to issue a specified dollar amount of bonds for some worthy project. Levying authority is implicit in voter approval of the bonds.

It is important to realize that, in Oregon, voters decide the total dollar levy. This means that voters set the absolute limit on how much property tax can be spent by a unit of government. If a levy amount is approved by the voters, a tax rate is determined by the county assessor to allocate the agreed upon tax burden among property owners in the taxing district. This process is unlike that used in some states where commonly a tax rate is approved and the total dollars raised depend upon the value of property. Because school finance experts and the public at large often use tax rates as indicators of a district's financial condition, it is important to understand how they are calculated and precisely what they mean.

Tax Rates allocate the tax burden. Once a district's requested tax levy is approved by the voters, it is necessary to allocate the tax levy among all the property owners within the district's boundaries. The allocation device is the tax rate, which is applied against the assessed value of each piece of property to determine the owner's share of taxes to be paid. The tax rate usually is expressed as "dollars of tax per \$1000 of assessed value": a \$15.23 tax rate means that \$15.23 will be paid for each \$1000 of property value. Thus the owner of a house assessed at \$50,000 will pay taxes equal to $50 \times \$15.23 = \$761.50$.

A local tax district's tax rate is determined by the levy and by the assessed value of property within the district. The rate is the percentage of property value that equals the amount of tax levy. For example, if the school district's

approved tax levy is \$750,000 to operate for the year, and if the total amount of property in the district is \$62,500,000, then the school district tax rate is .012, or \$12.00/\$1000 value. This is determined by the formula

$$\text{Tax Rate} = \frac{\text{Tax Levy}}{\text{Total Property Value}}$$

Example: .012 = $\frac{\$750,000}{\$62,500,000}$

Alternatively, the Tax Rate in Dollars per \$1000 value is

$$\frac{\text{Tax Levy}}{\text{Total Property Value}} = \frac{\$750,000}{\$62,500} = \$12.00/\$1000 \text{ value.}$$

The above formula can also be written:

$$\text{Tax Levy} = \text{Tax Rate} \times \text{Property Value.}$$

The process of levying taxes on each piece of property is known as "extending the levy". For each district, a tax rate must be determined, i.e., the dollar amount of the required levy is divided by the dollar amount of assessed value. However, the full amount of taxes needed by the district may not be extended if there are "offsets" to the levy. Offsets are dollar amounts received by each district in lieu of property taxes. For example, Western Oregon Severance Tax receipts, paid on harvested timber, are offset against levies. These offset amounts are subtracted from the district's levy requirement in determining the tax rate.

Consolidated Tax Rates and Code Areas: Each piece of property in a county is located in more than one taxing district -- there is always a county, a school district, usually an education service district, and often a community college district, water road district, city, etc. Therefore each piece of property is subject to a consolidated tax rate, that is, a total tax rate which is the sum of all the rates for districts in which the property is located. Each unique combination of tax districts is known as a "code area" -- all property within a code area is subject to the same consolidated tax rate. Appendix A provides an example of how consolidated tax rates are determined, and how the taxes on a home are allocated to the respective taxing districts.

Summary

The preceeding discussion of budgets, property tax levies and tax rates provides all that most readers need or want to know about Oregon's property tax system. There have been some intentional omissions, however, such as determination of assessed value and an explanation of the A/B Ballot system.[17]

The property tax is an important funding source for school districts, education service districts and community colleges. Oregon's fiscal system allows the property tax to be used, upon voter approval, to make up any budgetary needs not fulfilled by the state or other revenue sources. The state partially alleviates property tax burdens on local taxpayers by making direct grants to local government, or by providing direct property tax relief to taxpayers.

The state's effort to alleviate property tax burdens has an indirect effect on higher education and state agencies, in that fewer dollars are left for other uses.

IV. ELEMENTARY AND SECONDARY EDUCATION FINANCE

The preceding overview of state and local government finance established a foundation for discussion of finance for each component of public education.

The structure of elementary and secondary education was described in the second technical report. In that report it was stated that there currently are 309 separate school districts providing primary and secondary education to approximately 440,000 children. This section of this report concentrates on how those schools are financed, i.e., what sources provide the revenue and on how the funds are spent. More detailed information on elementary and secondary school finance is presented in a subsequent report, Technical Report No. 4.

Highlights for elementary and secondary education:

- * Over half of elementary and secondary education funding comes from local sources, primarily the local property tax. The local share of school funding is gradually increasing over the past three years.
- * State resources provide about one-fourth of the total of local school budgets.
- * Basic School Support Fund appropriations -- 29 percent of the 1981-83 state General Fund -- provided about 31 percent of district's current operating expenditures for 1982-83. The percentage of state support is on a downward trend.
- * 103 of the 309 school districts in 1982-83 needed excess levies above their tax bases in 1982-83 to balance their budgets. An additional 46 districts had no tax base and required voter approval for all of their property tax revenue.
- * Elementary and secondary expenditures on a per student basis have been increasing faster than the rate of inflation for the past 15 years -- 11.4 percent compared to inflation's 7.7 percent average per year.

Sources of Revenue for Elementary and Secondary Education

Local schools receive funds from all levels of government: local, intermediate, state and federal. Each governmental level has various fees, taxes, grants or other revenues that are used to run the schools. These various sources will be described in some detail, by level of government.

A. Local resources.

Local resources are the largest funding component of public elementary and secondary schools, providing 53.4 percent statewide in 1981-82. School budget requirements for 1981-82 totalled \$1783 million.[18] Local revenue sources provided \$953 million of that total -- \$819.7 from current year property taxes and \$133.3 million from other sources, including prior year property tax payments. If the beginning balance amount is excluded from the total (since it is derived from all sources) the percent funded from local sources is 61.4 percent.

Local revenue sources consist of local property tax (the current year's levy plus late payments from prior years), investment earnings, food sales, school activities income, textbook sales and rentals, other rentals, tuition and more. The property tax is by far the largest single resource at the local level, providing 90.5 percent of local resources in 1981-82.

The trend for the past three years is for local resources to make up a gradually increasing share of the total budget. The federal share has declined and the state share has remained fairly stable.[19] Over the last ten years, however, the percentage funded by local sources has fluctuated in the 52-62 percent range, with 62 percent occurring in 1972-73, but falling to 53 percent in the next two years.

B. Intermediate Resources.

School districts also receive funds from intermediate levels of government, i.e., from the county and from the Education Service District.

The County School Fund (CSF) is the vehicle for county participation in schools. The fund combines different revenues channeled through the county to

school districts, with funds apportioned on a per student basis. There are four general revenue sources for the county school fund: (1) tax receipts from the school fund levy, (2) federal forest fees, (3) certain fines, fees and forfeitures, and (4) voluntary county contributions. For 1981-82 budgets, these funds (excluding federal forest fees) amounted to \$31.8 million, or 0.5 percent of the total.

The tax levy component is a statutorily required contribution, and is part of the county property tax levy. ORS 328.005 states that each county must provide either the minimum amount it was required to levy in 1965-66, or \$10.00 per "census child" between 4 and 20 years of age.

Federal Forest Fees are receipts from the sale of timber on U.S. Forest Service land. Counties receive 25 percent of the receipts and the U.S. Government keeps the remaining 75 percent. Of the counties' share, 75 percent is dedicated to the County Road Fund and the remaining 25 percent goes to the County School Fund. District budget data for 1981-82 reports \$22.5 million statewide for Federal Forest Fees. The remaining county school fund total was \$9.3 million from the school fund levy, fines, fees and forfeitures and voluntary contributions. Fines, fees and forfeitures consist of miscellaneous receipts such as fines for animal cruelty, buoy and beacon law violations, and other incidental revenues that can be dedicated to the county school fund. Voluntary contributions consist mainly of payments (transfers) from counties with large non-property-tax revenues. Counties with O & C revenues (timber receipts in lieu of property taxes from the federal government for harvests on former Oregon and California railroad lands) sometimes use the county school fund to distribute excess revenues.

Other intermediate sources of revenue consist of ESD equalization, reimbursement of unemployment contributions, receipts from state-managed county timber, and other miscellaneous revenues. For 1981-82 budgets, these sources provided \$18.3 million, or about one percent of the total budget.

C. State Resources

State resources provide about one-fourth of the total of school budgets. [20] Most of the state's contributions (92 percent for 1981-82) is through the Basic School Support Fund (BSSF). The rest of the state contributions come from the

Common School Fund (1.8 percent), special education funds (3.2 percent), special schools (Blind, Deaf) support, vocational education, the driver education fund, state timber revenues and other miscellaneous accounts.

The Basic School Support Fund (BSSF). The BSSF appropriation for the 1981-83 biennium of \$840 million represents 28.8 percent of the total state General Fund.

BSSF is an allocation from the state General Fund that provides direct cash grants to individual school districts. Individual BSSF allocations are considered reimbursements, i.e., state payments are based on prior year's expenditures by the school district. BSSF payments are a budget resource for the district: there are no ties for specific uses and, unlike some payments, are not required to be used to offset (reduce) property tax levies.

Proponents of increased BSSF appropriations maintain that the funds provide property tax relief because the school districts do not have to levy property taxes for the amount received from BSSF grants. Opponents question whether voters would approve additional property tax levies equivalent to the BSSF allocations and thus disagree that all BSSF payments are direct reductions in property taxes.

BSSF appropriations by the Legislature historically have been evaluated by the percentage of total current operating expenditures funded by the state.[21] The goal of the 1979 Legislature was to have the state provide 40 percent funding of current operating expenditures, but then to limit future appropriations to a fixed "ceiling" on allowable growth. The 1979-80 appropriation of \$849.60 per student (which was 40 percent of the estimated \$2124 average expenditure per student) could not grow by more than the growth in the Portland Consumers' Price Index (CPI) or 9 percent, whichever was the lesser. With reduced appropriations and expenditures exceeding the growth limit, the state's percentage share of current operating expenditures has not since reached 40 percent, and for 1982-83 is estimated to be 31.3 percent. With appropriations increasing less rapidly than expenditures in recent years, the percentage of state support is dropping.

Because of the structure of BSSF distribution and of Oregon's system of local finance, this declining percentage has implications for the adequacy and

equity of education throughout the state. Disparity between districts rises as the percentage of support falls, a fact that will be somewhat clearer after the mechanics of the BSSF distribution formula are explained.

The process by which the BSSF appropriation is determined indeed is interesting: the Governor, the Oregon Educational Coordinating Commission, the Executive Department, the legislature, the Superintendent of Public Instruction and the education lobby all affect the appropriation decision. The Executive Department staff make a recommendation to the Governor for possible inclusion in the Governor's Recommended Budget for the ensuing biennium. The recommendation generally follows the statutory limit, enacted in 1979, where the previous year's appropriation per student is increased by the inflation rate or the 9 percent limit, whichever is lesser, estimated for each year of the next biennium and multiplied by the estimated number of students. Thus the recommended appropriations for each of the next two years is determined.

The Superintendent of Public Instruction often will independently recommend an appropriation amount to the Governor and to the legislature.

The school organizations, such as the Oregon School Boards Association and the Oregon Education Association, will make recommendations to the Governor and to the legislature, based upon the preferences of the education groups' constituents. Generally their recommended funding level is focused on a percentage share of actual expenditures and ignores the statutory limits enacted in 1979.

The Oregon Educational Coordinating Commission recommends policy, budget level and priorities to both the Executive and Legislative branches, with staff providing technical data and research.

The legislature -- primarily the Ways and Means Committee -- reviews the Governor's recommendation, listens to the Superintendent, education groups, and the OECC, and determines via the political process just how much of the General Fund will be allocated to Basic School Support. The Ways and Means Committee, Education committees, Revenue Committees and individual legislators receive input from taxpayers, local educators, the education groups, the State Superintendent of Public Instruction, as well as from the Executive branch. The education needs are weighed against available revenues and other agency needs. If an imbalance exists, either spending priorities are rearranged or additional revenues are sought.

The BSSF Distribution Formula. The Oregon BSSF distribution formula is considered to be one of the more complicated school finance formulas in the United States. School finance literature describes Oregon's formula as a "foundation" - type formula, providing a certain amount of funding per student if a certain level of local tax effort is expended.

When the Legislature makes an appropriation for BSSF, it stipulates the amount to be distributed each year of the biennium. An annual appropriation then is divided into four grant categories: (1) transportation, (2) basic grants, (3) equalization grants, and (4) growth and decline grants.

Each of these categories is explained below, using the 1982-83 Special Session appropriation of \$426.2 million:

(1) Transportation Grant. This grant is set at 60 percent of the transportation costs that were incurred two years prior to the distribution year. The 1982-83 total transportation grant of \$34.9 million is 60 percent of the \$58.2 million in actual costs incurred for 1980-81. Once the grant total is established it is allocated among districts according to their percentage share of the total transportation costs for the preceding year (\$64.3 million for 1981-82). The two-year time lag results in actual reimbursement for last year's (1982-82) transportation costs of about 54 percent. [22]

The transportation grant has first claim on the BSSF appropriation. The remainder of the BSSF appropriation is then used for the other grants.

(2) Basic Grant. The basic grant is a dollar amount of reimbursement provided for every student. It is a flat percentage of a district's "approved program" expenditures per student. The percentage, originally 30 percent in 1979, now varies year to year, depending on available funds. For 1982-83 it is 25.6 percent.

"Approved program" costs originally corresponded to the average net operating costs, which included all operating costs except those for transportation (which was already partially funded). The 1979 Legislature decided to limit the state's basic grant liability by limiting the allowable growth in the average approved program cost per student to 9 percent or to the growth in the CPI,

whichever was the lesser. Each district thus would receive for every student a basic grant equal to 30 percent of the maximum allowable approved program per student, or 30 percent of their actual net operating expenditures per student, if that amount was smaller.

Table 13 shows the maximum approved program per student and actual net operating expenditures per student since 1979 and the annual percentage increases for each. Net operating costs have increased about 13.9 percent per year, on average, since 1978-79. This compares to 8.7 percent for the maximum approved program, on which distributions are made.

There is an exception to the maximum approved program per student. Districts with schools of less than 100 students may qualify for higher net operating costs per student due to the increased costs of operating small schools. This exception is the "small school correction" factor that results in higher grants for some districts.

The Special Session of the 1982 Legislature modified the distribution process by requiring a 70-30 percentage split between the total dollars spent on basic grants versus equalization grants, regardless of the amount of BSSF appropriation. Because the approved program levels are statutorily defined, any reduction of the BSSF appropriation -- and the corresponding necessary reduction of the amount allocated to basic grants -- can only be accomplished by reducing the overall percentage factor to fund less of the approved program.

For the 1982-83 appropriation of \$426.2 million, approximately \$271.0 million was distributed as Basic Grants.

(3) Equalization Grants. Equalization grants are intended to provide extra dollars to relatively poorer districts, i.e., those districts with less property value for providing property tax revenues. If District "A" has twice the taxable property as District "B", then a \$1.00 tax rate will raise twice the revenue in A as in B. Equalization grants are distributed by a formula that recognizes the differences in property tax wealth (and certain other revenues) among districts and tends to reduce disparity. Grants are determined by the following formula:

$$\text{Equalization} = \frac{\text{Approved Program} - \text{Basic Revenues}}{\text{Selected Non-Property Tax Revenues} - \text{Local Property Tax Effort}}$$

The formula says that districts will receive equalization grants up to their "approved program" if the combination of basic grants, other receipts (from federal forest fees and common school fund) and potential property tax revenue at a certain tax rate, are inadequate to fund the approved program. A key item here is the required local property tax effort: this required effort is determined by a district's property value (adjusted for Western Oregon Severance Tax receipts) and by the total amount of equalization funds available. The local required tax effort is defined by the Department of Education to be whatever is needed to distribute only the amount of equalization funds available.

For 1982-83, the \$426.2 million appropriation provided \$117.4 million for equalization, compared to \$34.9 million for transportation, \$271.0 million for basic grants, and \$2.9 million for growth and decline grants. Of 309 districts, 211 received some equalization dollars.

(4) Growth/Decline Grants. School districts can receive extra grants if they are experiencing growth or decline in their number of students. If districts have more students in December of the distribution year (e.g., December 1982) than in the preceding June (June 1982), they will receive a growth grant equal to the increase in the number of students times the basic grant per student for that year.

If the district experiences a decline in enrollment, the district receives a declining enrollment grant equal to 75 percent of the basic grant per student times the enrollment decline.

Further analysis can show how the formula allocates funds among high-spending versus low-spending districts, based on whether or not they have high or low property tax wealth. Relative rankings of property wealth, as well as the absolute value of the BSSF appropriation, can affect a district's BSSF grant. Other factors, such as federal forest fee receipts, common school fund allocations and Western Oregon Severance Tax receipts can create twists to the allocations.

For those concerned about the quality of education in Oregon, BSSF is the vehicle for the state to participate in funding education. BSSF provides some long-term stability, creates a more equitable school system through equalization grants, and sustains local tolerance of the property tax by providing indirect

property tax relief. BSSF appropriations have been growing, in absolute terms increasing an average of 12.9 percent per year since 1973-74. BSSF appropriations have averaged about 27 percent of the entire General Fund over the last 7 bienniums.

Data show that the BSSF grants are providing a declining percentage of student operating costs statewide. Thus there is pressure building to either increase BSSF appropriations, or make up the slack through property tax levies -- with the latter also exerting pressure on the General Fund through appropriations for property tax relief.

Common School Fund. The Common School Fund is another source of state revenues, but contributes relatively little to schools. For 1981-82, it accounted for approximately \$7.7 million, or 0.4 percent, of total school budget requirements. Known as the "Irreducible Fund", only the annual interest earnings are distributed to schools.[23]

Proceeds from the sale or rental of state lands, sale of state timber, oil and gas severance tax receipts and more are dedicated to the Common School Fund. It is managed by the State Land Board, constituting of the Governor, Secretary of State, and State Treasurer. The Division of State Lands is the administrative body under the direction of the Land Board.

Proceeds from the Common School Fund are distributed on a per pupil basis. The fund and interest earnings becomes more significant as more state-owned timber matures and is sold.

As part of the June 1982 special session, the Legislature changed the payment schedule from the Common School Fund. Districts receive payments semi-annually in July and January, instead of the previous single July distribution. This change was made to accelerate the cash-flow to districts within the 1982-83 fiscal year to help offset a reduction in the Basic School Support Fund appropriation. As an indicator of the growth in the fund, the January 1983 six-month distribution was estimated to be \$6 million.

Other State Revenues. Schools also receive money from other state revenue accounts. In addition to the Basic School Support Fund, there are other separate appropriations made by the Legislature including:

- Special Education Programs, (for students requiring special programs, such as for the handicapped). These were \$14.1 million in 1981-82.
- BSSF School Lunch Match Program (to match the federal nutrition grants). This was \$2.3 million.
- and others.

Excluding BSSF, Common School Fund and Special Education appropriations, the remaining miscellaneous state revenue sources provide \$10.6 million, or 2 percent of all state revenue sources for schools in 1981-82.

D. Federal Sources

Federal revenue sources provided approximately \$88 million, or 4.9 percent, of the total school district budget requirements for 1981-82. The bulk of these funds were from the Elementary and Secondary Education Act (ESEA) Title 1 program for disadvantaged students, \$26.2 million; the School Nutrition program, \$16.7 million; and Federal Forest Fees, \$22.5 million. Federal funds for handicapped students, from PL 94-142, totalled \$6.8 million.

Over the past ten years, federal funds as a percent of school budgets have ranged from 3.8 percent in 1975-75 to 5.9 percent in 1978-79. The percentage has declined to 4.0 percent for 1981-82, the absolute dollar amounts have remained relatively constant for the past two years -- \$88 million in 1981-82 and \$90 million the year before. Further declines in the federal percentages appear possible.

Significant changes are occurring in federal education fundings. There will be no new ESEA funds for 1982-83 as that act is replaced by the Education Consolidation and Improvement Act (ECIA). By 1983-84 there will be few, if any, carryover programs from the ESEA program, as most programs will be consolidated into "block grants". There will still be a program similar to the ESEA Title 1 program for economically or culturally disadvantaged children. Some funds will be available for the handicapped, for migrant farmworkers' children, and for delinquent children. A number of other programs, however, will be consolidated into ECIA Chapter 2 block grants.

Expenditures in Elementary and Secondary Education

The preceding section on revenue sources showed 1981-82 total school budget requirements to be \$1782.9 million.

Instruction, including special program, adult/continuing education and summer school, accounts for 46.5 percent of the total, according to 1981-82 data. [24]

Most of instruction expenditures -- 91 percent -- are for salaries and benefits. Supplies and materials, capital outlay and purchased services make up most of the remainder of instruction costs.

"Support Services" is a major category of education spending, representing 43.3 percent of total expenditures. This category consists of "those services which provide administrative, technical, personal (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. [25] Support Services exist to sustain and enhance instruction, rather than as entities within themselves. Examples include guidance and counseling, psychological services, speech pathology and audiology, staff training, administration, fiscal services and more.

General Fund Expenditures. Analysis of school general fund expenditures, excluding federal projects, debt service, and the other special funds, shows that over half (54.6 percent) of expenditures from that fund for 1981-82 are for instruction purposes. [26]

Trends in School General Fund Expenditures. Some general observations can be made on expenditure trends [27]:

- * Employee benefits have grown more rapidly than salaries.
- * Total salaries and benefits for special program instruction have grown more rapidly than other components, reflecting more teachers required by PL 94-142, which expanded education for handicapped students.

* The average annual growth in regular program instruction over the four years shown was 11.7 percent, compared to 27.5 percent for special program instruction and 14.1 percent for school administration. The Portland Consumers' Price Index for Urban Consumers (CPI-U), discussed below, had an average annual increase over that four years of 11.5 percent.

* There has been a decrease in the rate of increase for 1981-82 in all categories except administration. While regular instruction expenditures increased 8.6 percent for 1981-82, school administration costs grew 18.2 percent.

It is of some interest to examine costs on a per unit (i.e., per pupil) basis. Over the 15 year period shown, per pupil expenditures have increased at an average annual rate of 11.4 percent.[28] Over the last 5 years, the average annual increase has been 14.2 percent. It should be noted that the figures shown are statewide averages: per pupil expenditures vary widely in individual districts.

It is also useful to compare these cost increases with price increases for other goods and services, or with a general measure of inflation. The Portland CPI-U increased at an annual average rate of 7.7 percent over the 15 year period.

Regardless of which common price index is used, per pupil expenditures have increased more rapidly than general inflation in recent years.[29]

Other Aspects of State/Local School Finance

The preceding discussion of elementary and secondary school finance covered the various revenue sources and expenditures, but was incomplete. Two related "links" were omitted: property tax relief and state severance tax receipts. Each affects the ability of schools to raise revenue, yet are not actually revenue sources.

Property tax relief. Property tax relief is an important integral part of Oregon's school finance system. As shown early in this report, the state has appropriated

\$490 million for property tax relief for the 1981-83 biennium. This appropriation covers two main programs: the "30% Relief" program and the Homeowners and Renters Refund Program (HARRP).

The 30% Relief program, initiated in 1979, pays general property tax relief to all homeowners and renters. For homeowners, there is a direct 30 percent of homestead property taxes, subject to limitations: (1) no relief is paid on bond levies or "B" ballots (levies exceeding specified growth limits) and (2) there is a maximum amount of tax relief granted per homestead.

For 1979 and 1980, the maximum payment was \$800; for 1981 it was \$425, and for 1982 was \$192, due to decreased appropriations. Renters are refunded, upon application, 4.7 percent of their rent. The maximum renter payment is one-half the maximum homeowner payment, i.e., \$96.00 for 1982.

The Homeowners and Renters Relief Program, enacted in 1973, provides tax relief to homeowners and renters, but payments vary according to income level. Only those with household income below \$17,500 qualify, and payments are calculated on net property taxes (or contract rent paid as taxes) after deductions for the 30% Relief Program. Payments decline as income rises.

There is an additional program for low-income (under \$5000) renters, the Elderly Rental Assistance Program (ERA), that is a substitute for HARRP. The refund will be equal to any rent paid above 40% of the taxpayer's income, up to a maximum payment of \$2100.

For 1981-82, the 30% Relief program cost was \$173.9 million; HARRP and ERA cost \$92.3 million, for a total of \$266.2 million.

These programs do not provide direct revenues to schools, but their existence makes passage of property tax levies more likely. The 30% Relief Program and HARRP are commonly used as selling points for local property tax levies --and schools are the largest user of the property tax. Decreased state appropriations for tax relief make passage of school levies more difficult. Increased school levies raise the state's cost for funding the relief programs.

Policy-makers also must balance between supporting appropriations for property tax relief, which assists all local governments to pass levies, and appropriations to Basic School Support, which are budget resources to schools and offer some tax relief to all classes of property, not just to residential property.

Severance Taxes. The second aspect of school finance not previously discussed is the role of timber severance taxes. Oregon has a 6½ percent Western Oregon Severance Tax and a 5 percent Eastern Oregon Severance Tax that is paid on harvested timber. All local governments have timber within their boundaries benefit from the tax. Receipts are collected by the state and then apportioned to individual taxing districts.

Prior to 1977, timber in western Oregon was subject to ad valorem property tax, treated as any other taxable property. The 1977 legislature enacted the Western Oregon Severance Tax (WOST) and removed standing timber from the property tax roll. Moderately complicated distribution formulas were devised to ease the transition from one tax system to another, and the transition process is still in process. It is sufficient to note that for 1981-82 approximately \$46.5 million of WOST receipts were distributed as tax offsets (reductions to approved levies), of which \$34.4 million went to schools, \$3.3 million to Education Service Districts, and \$3.5 million to Community Colleges. Eastern Oregon Severance Tax offsets were much smaller: total offsets of \$3.3 million were allocated with \$2.2 million to schools, \$0.4 million to ESDs, and \$0.1 to Community Colleges.

It should also be noted that the Western Oregon Severance Tax has an additional unique impact on schools. Western Oregon Severance Tax receipts are capitalized, i.e., converted to an artificial property value, for use in the Basic School Support equalization distribution formula. The method used to capitalize WOST receipts, when used for the BSSF reimbursement program, can result in severe fluctuations in BSSF distributions for some districts -- and indeed all equalization districts are affected.

V. FINANCIAL STRUCTURE OF EDUCATION SERVICE DISTRICTS

Education Service Districts (ESDs) are described in an earlier report as being intermediate bodies that provide services to school districts within the ESD boundaries generally following county lines, deviating only when an included school district is in more than one county. It was noted that all but six counties have ESDs, with four of those six having County Units and two (Hood River and Morrow) having a single administrative school district. Four of the twenty-nine ESDs (Linn and Benton counties are jointed in one ESD, thus making 29 in 30 counties) operate under the old rural schools law system whereby all of the school district levies are equalized through the ESD. Those four ESDs are Grant, Harney, Wallowa and Wheeler.

Highlights on ESDs:

- * Education Service Districts are a relatively low-profile education component providing over \$100 million service per year, financed mainly by the property tax.
- * ESDs are increasingly providing special education services, such as for handicapped students.
- * Operating budgets for the past two years increased 21.6 percent and 14.8 percent statewide.
- * Little aggregated expenditure data are available.

Revenue Sources

ESDs receive revenue from various sources, but rely primarily on the local property tax.[30] Local sources, primarily the property tax, accounted for \$71.0 million (73.1 percent) of the total resources of \$97.0 million in 1981-82. State funds provided 7.0 percent of the total, federal funds 8.6 percent, with beginning balances (cash carryovers) accounting for the remaining 11.3 percent.

Local revenue sources typically include property taxes (current and prior year's levies), special services contracts with school districts, trans-

portation reimbursement from school districts, interest on investments, and other miscellaneous sources. State revenue sources typically are grants from the state for the Handicapped Children Program, Mentally Retarded Program, Career Education Program and others. Federal sources are grants for specific categorical aid program.

Analysis over different time periods is complicated by various law changes, such as the "paper" routing of state Basic School Support payments to local districts through the ESD (explained later).[31] That particular law was temporary, in effect for 1978-79 and 1980-81, intended to preserve unused portions of ESD tax bases that resulted from abolishment of ESD equalization in 1977. Budgets (exclusive of BSSF) have increased 21.6 percent and 14.8 for the last two years. Revenue sources available prior to necessary tax levies also increased greatly in 1980-81, presumably from more contracted services with local districts. This may be explained by the increased role played by ESDs in providing education for handicapped students. Tax levies have increased, for both operating and non-operating purposes.

Certified property tax levies for ESDs were \$52.9 million in 1981-82. Approximately \$5.3 million of that total was levied in the four equalization counties of Grant, Harney, Wallowa and Wheeler for their respective districts. Net levies for the operation of ESDs amounted to \$47.6 million -- a 14.4 percent increase over the previous year.

ESDs vary widely in the amounts of their tax bases that are levied for operating purposes, resolution services and special education services. Reasons for this variation are at least partly based on recent changes in ESD statutes.

When the 1963 legislature established the Intermediate Education Districts (IEDs), the forerunners of today's ESDs, one of the principal objectives was to equalize property tax wealth of school districts within IED boundaries. IED budgets consisted of two parts: (1) the operating portion, for administration and provision of services to districts; and (2) the equalization portion, those amounts to be distributed on a per student basis and used as an offset to local district levies. Amounts levied by IEDs could be

50 percent of the amounts levied by constituent districts for operating purposes. IED's tax bases were subject to the same 6 percent growth limitation as other taxing districts. If voters failed to approve excess levies, it was probable that over time fewer tax base dollars would be available for equalization. At least one IED, Washington County, ultimately used the entire amount of its tax base for administration and operations, with nothing for equalization.

Over time, some IEDs grew more than others, depending on services provided and their acceptance by the districts they served. Washington County, utilizing the entire amount of the equalization portion of its tax base, was one extreme, while at the opposite end were counties such as Baker, Jefferson and Deschutes, using only 10, 15 or 20 percent of the total equalization base for operating costs. Statewide, the 1981-82 levy of \$47.6 million represents about 45 percent of the equalization tax bases established in 1963 (which, of course, have increased each year since that time).

When the state basic school support law was changed in 1977, so that equalization became solely a statewide function through the Basic School Support Fund rather than at the county (ESD) level, the Legislature set a termination date on the equalization tax bases. They would be dissolved by 1981, except the amounts levied for operational purposes by the existing ESDs. The ESDs perceived this as detrimental to their financial well-being, since they depended heavily on local property tax levies -- and especially since the recent passage of the Handicapped Child Act (Public Law 94-142), which put ESDs in the forefront of delivery of services for many of the handicapped programs. Responding to the ESDs and to the Department of Education, the Legislature extended the date for the equalization tax bases demise, and also allowed the ESDs to use a portion (6 percent) of the equalization bases specifically for programs for the handicapped. This occurred in the 1979 session. In the 1981 session a further extension was granted and the ESDs were also allowed levy concessions.

The resulting 1981 ESD legislation is complicated; indeed, it is still the subject of debate. The Department of Education has issued the following interpretation of that law:

1. The total amount levied for operational, administrative, and resolution services under ORS 334.240 cannot exceed the largest amount levied for those same purposes in any of the last four years, plus 6 percent. If this amount will not cover approved expenditures, the ESD may propose the levy necessary to balance the budget to the voters.
2. The operational and administrative portion of the 1982-83 levy cannot exceed the amount levied for those purposes in one of the last four years, plus 6 percent -- unless a greater amount is approved by resolution (ORS 335.175). The Bill also specifies that when the levies for nonresolution and resolution expenditures for the base year are calculated, "beginning cash balance" must be divided between the two categories in the same proportion as the expenditures divide themselves.
3. An amount equal to 6 percent of the difference between the tax base in the base year chosen and the permissible levy for operational, administrative, and resolution services in that same year may be raised to support programs for the handicapped, talented and gifted, and non-English-speaking students (as defined in ORS 336.074, 336.079, 343.035, 343.397, and 343.830).
4. The entire tax base plus 6 percent will be certified to the local county assessor, but the difference between the tax base and the permissible levy for operational, administrative, and resolution services will be paid by the state in the form of a tax offset (ORS 327.071). Thus each ESD's base will be preserved, although the entire base will not be extended on the tax roll.

The Department of Education is planning to receive and compile state expenditure data for 1982-83 to assure that ESDs comply with the law. There currently is a lack of detailed summary data for ESD budgets.

Expenditures

There is little available data on aggregated ESD expenditures. None is compiled on a uniform basis by the Department of Education. Intermittent studies have been conducted, but there appears to be conflicting data among the available documents. One fairly recent study conducted by the Education Coordinating Commission shows ESD expenditure summaries for the 1978-79 fiscal year.[32] Few generalizations can be drawn from the data. The data show that special education programs (such as for handicapped students) and media services are the larger individual expenditure categories. The ECC study also reports that "Other Funds", separate from the general fund, totaled \$23.0 million in 1978-79, or about 50 percent of the \$45.9 million general fund (which includes \$11.7 million transfers).

Expenditures by ESDs may be made on the basis of approval of programs and services authorized by the ESD board of directors, or upon request of the school districts through a process called resolution. This simply means that if a certain number of local district school boards (2/3 of those in the ESD having at least a majority of students in the ESD approve of the ESD providing a particular service, the service may be offered and money expended for it. In many cases where the required school boards do not approve the resolution, but one or more of the districts want the service, the district can contract with the ESD individually. When this is done the expenditures for those services are usually not shown in the general fund budget of the ESD but as part of the "other funds" budget. As indicated above, statewide expenditures for these types of services are about half those of the general fund budgets.

Summary

ESDs are interesting institutions: It has been asserted that they are a holdover from an earlier era, in which there were more school districts and more need of an intermediate governmental unit. It is apparent, however, that they provide some necessary services to some districts. They spend about \$100 million per year in total, largely funded by the property tax. In its three session deliberation on ESDs, the Legislature has chosen to preserve the obsolete equalization tax base, and to gradually use it to provide support programs for handicapped students -- support programs required by federal legislation, but largely unfunded by federal dollars.[33]

VI. FINANCING OREGON COMMUNITY COLLEGES

Oregon has thirteen community colleges and two Area Education Districts (AEDs). Together they serve approximately 85 percent of the population and about 60 percent of the geographic area of the state.[34] As explained in an earlier report, community college districts are similar to elementary and secondary school districts, having political boundaries, taxing authority, and locally elected governing boards. This section of this report will show that their revenue sources and expenditure allocations also are similar, with a simpler state funds distribution formula.

Highlights for Community Colleges:

- * Community colleges are experiencing more students and a smaller percentage of state support for operating costs -- down to 31 or 32 percent from 40 percent. Pressure will be on tuition increases and local property taxes to make up for decreasing state support if current programs are to be maintained.
- * Enrollments in Lower Division Collegiate courses at community colleges have increased in the past decade, as has vocational/technical enrollment and other enrollment. Lower division enrollment at state colleges and universities has decreased.
- * Community college expenditures per student have increased less rapidly than inflation for the past 15 years.

Revenue Sources

Community colleges have three main sources of revenue: local property taxes, state general fund appropriations and tuition receipts. They also receive small amounts of federal funds (about one percent of total approved costs) primarily for vocational programs and small amounts from miscellaneous revenue sources, such as day-care center receipts, rent, interest earnings and service fees. Some community colleges have special resources. Clatsop, for example, receives a share of county income from natural gas wells, and

Southwestern has a small income from timber sales. Community colleges do not share, however, in O & C income or federal timber sales.

For 1980-81, operating budgets for all community colleges totalled \$124.1 million, of which 37.8 percent was from state funds, 19.6 percent from tuition and fees, and 42.6 percent from local property taxes and other sources. Of the \$124.1 million operating costs, 95 percent (\$118.2 million) was considered "reimbursable program operating costs", eligible for partial state support.[35]

About 40 percent of 1980-81 reimbursable program costs were funded by the state, 20 percent by tuition and fees and 40 percent by local and other sources.[36] Dependence on local and other sources ranges from 27.2 percent at Portland to double that amount, 55.6 percent, at Clatsop. Percentages paid by tuition and fees range from 11.7 percent at Blue Mountain to 26.3 percent at Portland. State support percentages range from 31.2 percent at Clackamas to 48.3 percent at Rogue. Funding emphasis varies at the various colleges.

Data on revenues received from the major sources show that the percentage of state support has steadily decreased, tuition has remained fairly constant, and local and other source revenues have increased.[37]

State Funds. In 1980-81 the state distributed \$46.9 million to community colleges as reimbursement for approved programs, as shown on Table 22. This money was appropriated to the Department of Education for distribution to community colleges according to FTE (Full Time Equivalent) enrollment.[38]

The Department of Education distributes state funds quarterly on a simple formula basis: each college receives \$1245 per FTE for their first 1100 students and \$945 for each student thereafter. This two-step reimbursement formula assumes there are "economies of scale" in educating students and in doing so benefits the smaller colleges.

Under the formula, colleges are eligible for funds at established rates for each "reimbursable" student. The amount is a product of the rate

multiplied by the number of FTE students. However, because of the current shortfall of state General Fund dollars, the Legislature has set a limit on the amount to be appropriated for community colleges. The number of students to be funded has varied, determined by dividing available state dollars by the rates per student. This means that in 1981-82 only 49,616 students (92 percent of the eligible "reimbursable" 53,500) are being funded. Community colleges therefore must make up the state's share for approximately 3,900 students. For 1982-83, only an estimated 80 percent of eligible students will be funded.

The current rate of state reimbursement (\$1245/\$945) per student has remained unchanged for three years, despite cost increases. While the 1980-81 data show that state funds made up about 40 percent of community college resources, in 1981-82 the percentage is estimated to decline to 36 percent, and in 1982-83 decline further to 31 or 32 percent.

Tuition

Tuition in community colleges is considerably lower than in the public four year colleges and universities. For 1981-82, the unweighted average community college tuition for resident students was \$508, compared to more than twice that amount for four year institutions. The median and average tuition weighted by FTEs was \$504.[39] As indicated previously, tuition represents about 20 percent of the colleges' revenues -- a percentage that has been fairly constant, within one or two percentage points, for the past 15 years. The colleges cite Oregon legislative policy of "affordable tuition" in defense of the tuition rates:

The cost of education to the individual should be sufficiently low to permit students of low-income families to attend. This is particularly true of tuition costs. However, students should pay an amount sufficient to provide an incentive to profit from the instructional program offered.[40]

Local Resources

Approximately 40 percent of community college operating costs are funded from local resources, primarily property taxes. Published data shows that community college property tax levies in 1980-81 were \$56.2 million, which exceeds the \$48.2 million of reimbursable operating costs.[41]

The statewide average community college tax rate in 1980-81, for operations and bonded indebtedness, was \$1.06, raising \$56.2 million. For 1981-82, the average rate has increased 4.7 percent, to \$1.11, raising \$64.8 million, according to Department of Education data, or \$64.3 million according to Department of Revenue data. The lower figure, \$64.3 million, represents a 14.4 percent increase in levies, while the larger figure is a 15.3 percent increase.

Tax rates vary widely among individual schools. Excluding the relatively new Area Education Districts, the rates for 1981-82 vary from a low of \$.58 in Portland to \$2.79 in Treasure Valley.[42] Portland's size tends to skew the averages downward.

Expenditures

Since 1976-77, the Department of Education has not compiled and published detailed data on community college expenditures, except for the total general fund operating costs and the reimbursable program operating costs, necessary for determining state support. Prior to 1977-78, data were published that showed expenditures by classifications -- but again, only for reimbursable program operating costs.[43] Over the 11-year period shown, the percentage share of instruction and administrative costs decreased, while all other categories increased. It is of interest to note the rapid annual increases in costs over the last five years for which data was available. From 1972-73 to 1976-77, the average annual growth rate for total reimbursable operating costs was 16.3 percent; for administration and instruction the rates were 17.0 and 16.0, respectively. FTE growth over the period was at an annual average 8.1 percent rate. Although detailed expenditure data for more recent years is not available, it is incorrect to assume that those earlier rates of increase have continued. Total reimbursable operating costs from 1977-78 to 1980-81 have averaged 11.3 percent per year -- and increased only 9.4 percent for last year shown.[44]

An unofficial summary of community college budgets for 1980-81 provided some additional information on the percentage share of operating costs classified according to function.[45] The data is of limited usefulness, due to different classifications than have been previously published.

The statewide average of per student community college costs for 1980-81, according to the Oregon Education Coordinating Commission, is \$2100. This compares to \$2469 for lower division students in the state's four-year institutions, and \$2541 for elementary and secondary costs per student. Community college costs have kept pace with the CPI during the 1970's and have kept below it since 1979-80. From 1978-79 to 1981-82, inflation averaged an annual increase of 11.9 percent, compared to per student cost increases of 7.8 % per year. Over 15 years the annual average increase is almost the same.[46]

Enrollment

Enrollment in community colleges has increased an average of 5.9 percent per year in the past decade. From 1971-72 to 1981-82, FTE enrollment has increased 77.2 percent, from 30,548 to 34,125 FTE students -- a 5.9 percent annual growth rate. This compares to a 5.5 percent overall decrease in 10 years in the number of elementary and secondary students, and 0.8 percent increase at state colleges and universities. Table 28, prepared by the Oregon Educational Coordinating Commission, shows enrollment shifts among the education sectors. Community colleges are serving a larger share of postsecondary enrollments -- from 20.6 percent in 1967-68 to 43.9 percent in 1981-82. Where community colleges gained 8,769 students in lower division collegiate courses, the state colleges and universities (6 institutions) lost 1,865 -- an 8.2 percent decrease. The number of lower division students at independent colleges increased 4.3 percent over the 10 year period.

Construction Finance

Community colleges can finance construction costs from property tax levies as they do operating costs. Most colleges today have a continuing levy to repay principal and interest on bonded debt for construction. However, some colleges have taken other routes. For example, Portland Community College has for a decade included in its operating levy an amount sufficient to finance buildings on a pay as you go basis. Southwestern Oregon Community College continues to have a small amount of money for construction within its operating levy, while Chemeketa and Clackamas Community Colleges have serial levies to construct buildings, with Clackamas including its amount in a three-year serial levy for both operating and construction.

For the past two sessions the Legislature did not appropriate any money for construction of facilities at community colleges, although statutes allow the state to share in such cost at a rate of 65 percent. During the era of rapid community college growth the state committed itself to allowing the colleges to spend their own money to provide the large number of buildings required, with the understanding that at some future time the colleges would be reimbursed by the state for 65 percent of the cost. The final write-off of that system occurred in the 1977 legislative session. In 1979-81 construction at various colleges totalled about \$15 million, of which 65 percent was underwritten by the state, the remainder from college funds. For the current biennium, 1981-83, local funds are the prime source of community college construction.

The preceding information shows that Oregon's 15 community colleges operate much like school districts in their administration and dependence on property tax levies and state support. Community colleges have the added resource of student tuition. Overall, community college reimbursable operating costs have been financed approximately 40% from the state, 20% student tuition and 40% property taxes. The state percentage has declined for the past two years and is likely to be 31 or 32 percent for 1982-83. The slack will result either in higher property taxes or increased tuition. Increased tuition can have a detrimental impact on student access.

Reimbursable expenditures per student have been increasing over the past 15 years, but less rapidly than inflation. No recent data is available by which to isolate cost components.

Student enrollments have been increasing, more so than in any other education sector. Lower division collegiate students are increasing for community colleges, but decreasing for state colleges and universities.

VII. HIGHER EDUCATION FINANCE: OREGON'S FOUR-YEAR INSTITUTIONS

Oregon historically has made a strong commitment to provide postsecondary education services to its citizens. Within the state are eight public universities and colleges, fifteen community colleges and area education districts (within commuting distance of most Oregonians), and a thriving independent college sector. [47]

Before discussing revenues and expenditures in Higher Education, it is useful to have some perspective on the scope of Oregon's system. Oregon has a relatively high rate of participation at public post secondary institutions. Approximately 3.7 percent of Oregon's population was enrolled in postsecondary education in 1980-81, nearly one-third higher than the national average of 2.9 percent. This is partly due to Oregon (and most western states) having fewer students enrolled in private institutions, compared to the rest of the United States. Oregon's support level per student is below the national average (91 percent of the national average) in spite of substantial state support, due mainly to the relatively large numbers of students being educated.

Highlights:

- * Higher Education has been receiving a decreasing share of state General Fund appropriations since 1967-69. However, real (deflated) state appropriations per student have decreased slightly over the past 15 years.
- * Higher Education expenditures in total have increased approximately 23 percent in the 1981-83 biennium over the 1979-81 biennium, with the operating budget increasing 21 percent.
- * Operating expenditures for instruction purposes -- the Education and General Services Budget -- have increased an average of 10.1 percent per year from 1977-78 to 1981-82, but are expected to increase only 0.4 percent from 1981-82 to 1982-83.

- * Higher Education expenditures per student have exceeded the rate of inflation over the past 15 years, but have increased slightly less than inflation for the past 5 years (1978-79 to 1982-83).

Revenues Sources for Higher Education

Revenue sources for Oregon Higher Education include state general fund appropriations, student tuition and fees, federal funds, sales and service receipts, gifts, grants and contracts, and other miscellaneous sources.[48]

Analysis of Higher Education finance data over time is fraught with peril: the numbers change. Much of the analysis that follows is based on published documents that were available to the public in the fall of 1982, but some more recent data have been included. Most of the analysis uses the "pre-revised" data. It is planned that a forthcoming FORE report will provide a more detailed analysis of Higher Education Finance, with a more consistent time-series data base.[49]

For the 1981-83 biennium, revised data indicate that total Higher Education expenditures will be \$1,233.6 million. This is 23 percent more than a comparable 1979-81 total at \$1,004.1 million (adjusted for OEPBS funding changes). Of the 1981-83 total, the most recent data show state General Fund appropriations of \$380.3 million (30.8 percent) although earlier data used in some tables in this report show General Fund appropriations at \$373.2 million.

The remaining major categories of Higher Education funding consist of federal funds -- \$195.8 million (15.9 percent) -- and "other funds", such as from student tuition, sales and services, dormitory operations and more, totalling \$657.2 million (53.3 percent).

The General Fund percentage of 30.8 percent is less than earlier bienniums: 35.3 percent for 1979-81 and 38.6 percent for 1977-79.[50] The 1981-83 general fund appropriation of \$380.3 million actually is 7.1 percent more than the 1979-81 actual general fund appropriation of \$355.2 million (reduced from an earlier appropriation of \$380.0 million). The "other funds" category has increased in 1981-83, to 53.3 percent from 47.6 and 45.4 percent in the two preceding bienniums. Federal funds have remained fairly constant at 15 to 17 percent over the

three bienniums. Appropriations per student, discussed later, have increased in absolute (current) dollars, but when adjusted for inflation show a real decrease of 5.1 percent over the past 15 years and a 16.9 percent decrease for the past five years (1978-79 to 1982-83).

To obtain additional information about higher education revenue sources, it is necessary to review the annual operating budget, which provides information on operating expenditures and limited information on revenues, but does not include items such as debt finance and all research grant money. Revenues for operations are derived from four major sources: (1) state General Fund appropriations, (2) student tuition, (3) sales and service receipts, and (4) gifts, grants and contracts. Data available in Fall 1982 show Higher Education's total operating budget was \$548.0 million in 1981-82, a 9.0 percent increase over the 1980-81 amount (\$502.8 million).[51]

In all, state funds make up about \$180.2 million of the \$548.0 million operating budget -- or 32.9 percent of the total. Student tuition and fees contribute \$74.1 million, for 13.5 percent of the total.[52] Sales and service income, mainly from the University Hospital, is \$84.9 million, 15.5 percent of the total. The remaining \$208.8 million (38.1 percent) is from gifts, grants and contracts --\$118.2 million, primarily from the federal government, and other auxiliary activities.[53]

State Funds

As was shown above, state General Fund appropriations provided about one-third of the total operating budget for Higher Education in 1981-82. As shown earlier, the \$380.3 million state appropriation to Higher Education in 1981-83 was about 13 percent of the total General Fund. The Department of Higher Education's percentage share of the state General Fund decreased steadily since 1967-69, from 24 to 13 percent. This reduction in state support has been made up by increases in other funds, primarily tuition (discussed later).

In addition to general education, a number of programs and activities require separate budgetary treatment. Most, but not all, receive state funds. There are various self-supporting activities, such as residence and dining halls, that are

referred to as "auxiliary activities". Research grants and contracts, such as from the federal government, also require separate accounting. In addition there are a number of institutions involved primarily in "public service" and only indirectly in education, such as the Cooperative Extension Service, Agricultural Experiment Stations, Dental Clinic, and others. Separate state General Fund appropriations are made for some of these components of the Higher Education system.

The Education and General Services Funds budget -- a major category of the total operating budget -- covers the main instructional programs of the state colleges and universities. This budget is subject to expenditure authority from the state legislature, i.e., the legislature must approve how much will be spent, regardless of the source of funds. The fund is financed primarily from the state general fund and student tuition.

Traditionally, the Education and General Services budget was financed approximately two-thirds by state general fund appropriations and one-third from student tuition and fees. Students were said to pay one-third of their costs of education. Recent increases in student fees and reduced appropriations have reduced the state's share to 62.0 percent of expenditures in 1981-82 and is estimated to be 57.0 percent for 1982-83. Table 29 shows the declining state percentage since 1977-78.

Almost 80 percent of the state General Fund appropriations to Higher Education is for the Education and General Services budget. Data provided in Fall 1982 show that for the 1981-83 biennium, \$296.7 million (79.5 percent) of the \$373.2 million total Higher Education appropriation was for Education and General Services.[54] This was a 10.9 percent appropriation increase over the preceding biennium. (Table 30 also shows that statewide Public Services is the category of the next largest state appropriation, receiving 18.8 percent of the total. The remaining 1.7 percent was allocated mainly to debt service.)

The Education and General Services component of the operating budget is one of the few sections in the budget document that is relatively understandable and consistent with other summary pages, i.e., one can find consistency in the numbers. The 1981-82 budgeted income of \$383.6 million contains state approp-

riations for two years, thus it is necessary to use budgeted expenditures to get a more accurate picture of the sources of funds. Expenditures (discussed later) are only \$236.5 million, of which state funds expenditures are \$146.2 million, yielding the 62 percent state support figure cited earlier. (Figures cited are prior to special session adjustments in 1982.) This compares to 66.3 percent for the previous year. Data show that student fees make up 29 percent of estimated expenditures, with gifts, grants and contracts accounting for 6 percent, and with the remaining 3 percent from sales and service income, federal funds and other sources.[55]

Other Funds: Tuition and Fees

Tuition is used exclusively to partially fund the Education and General Services budget. It is the second largest revenue source for that budget, contributing roughly 29 percent. A relatively small amount of student fees are used to fund continuing education. The amounts of tuition charge to students varies according to class level and residency status, and by institution. For example, at the University of Oregon for 1982-83, a resident undergraduate pays \$1380 for the academic year, a non-resident undergraduate pays \$4005, a resident graduate student pays \$2043 and a non-resident graduate pays \$3291. Fees at Oregon State University and Portland State University are slightly less (\$1356, \$3981, \$2019 and \$3267). The lowest resident undergraduate tuition is \$1302 at Eastern Oregon State College.

Tuition charges are initially governed by the Board of Higher Education's policy of how much of costs should be borne by students. Board policy in recent years has been to have resident undergraduates pay 23 percent of instruction costs, non-resident undergraduates pay 100, percent, resident graduates pay 27 percent and non-resident graduates pay 50 percent. This policy has been unattainable during the 1981-83 biennium, and resident undergraduates, for example, are paying an estimated 31 percent of instructional costs, including a \$49.00 per term surcharge.[56]

While more detailed comparisons with other states will be made in a later report, Oregon tuition charges are higher than both the U.S. average and the average for western states. The 1982-83 resident undergraduate rate of \$1380 exceeds the estimated U.S. average of \$1105 and the western states estimated average of \$873.

The Higher Education tuition rates cited above also are considerably higher than the rates charged at community colleges, which range from \$504 to \$612 for 1982-83.

Other Funds: Sales and Services, Federal Funds and More

Sales and services revenues appear to provide 15.4 percent of the total operating budget. These revenues are used mainly for the self-supporting auxiliary services -- residence and dining halls, for example -- and for the statewide Public Services activities. Most of the sales and service income, approximately 87 percent, is derived from the University Hospital, with the remainder coming from diverse sources such as nursery school fees, the University of Oregon's Bureau of Governmental Research, sale of materials, and from other miscellaneous sources.

The importance of federal funds is difficult to determine. The "pre-revision" 1981-83 state budget approved by the legislature indicates that federal funds for Higher Education amount to \$153.5 million, or 14 percent of the total Higher Education Budget. More recent data show federal funds at \$195.8 million, which is 16 percent of the new total. The 1981-82 operating budget, however, specifically identifies only \$7.0 million of federal funds income as revenue -- about 1.3 percent of the operating budget. The operating budget does report \$118.2 million in the Gifts, Estimated Grants and Contracts, most of which is said to be federal money.

Expenditure

Total Higher Education expenditures for the 1981-83 biennium are estimated at \$1,230.4 million. The Higher Education operating budget, for 1981-82 only, reports estimated expenditures of \$548 million. As was stated earlier, the Education and General Services budget for instruction related activities at the state colleges and universities makes up only \$236.5 million, or 43 percent, of the total operating budget.[57] Statewide public services, including the University Hospital, account for an additional \$126.5 million, or 23 percent of total operating expenditures. Gifts, Grants and Contract activity, which is not limited by state expenditure authority, is estimated at \$118.2 million, or 22 percent. The remain-

ing expenditures are for the essentially self-supporting auxiliary activities (\$57.9 million), special operating accounts (\$5.6 million), and continuing education (\$3.2 million).

It is estimated that operating expenditures at the state colleges and universities will barely increase in 1982-83. Prior to the June 1982 special session, the average increase for 1982-83 operating expenditures was only 2.4 percent over 1981-82. With the further reductions of \$5.2 million made at the June session, most schools will be very near or below the 1981-82 operating budget level. The 1982-83 budgets include 4 percent program cuts ordered by the Board of Higher Education, delay of salary increases for most of the fiscal year, and further reductions in supplies and support services.

Operating expenditures for the Education and General Services Budget averaged a 10 percent increase per year from 1977-78 to 1981-82.[58] Operating expenditures increased from \$169.2 million to \$248.8 million -- a 47 percent increase. The anticipated increase for 1982-83 however, is expected to be small, 0.4 percent.

In Higher Education, costs per student have been rising, but have not increased more than the rate of inflation as measured by the Portland Consumers' Price Index (CPI-U) in recent years.[59]

Enrollments have been fairly stable over the past ten years, deviating no more than 3.1 percent from an average 47,244 FTE enrollments. From 1980-81 to 1981-82, enrollments dropped 1427 FTEs -- a 2.9 percent decrease, to 47,012. A cautionary note: these enrollment figures are often revised, thus the reader is urged to exercise caution in using the data for more than general trend analysis.

Summary

Analysis of Higher Education budgets reveals a complicated system. An attempt to get a snapshot view of the entire system, to isolate revenue sources, expenditures, and to make comparisons over time, is difficult. Analysis of only the operating budget shows that the state provides about 33 percent of the revenue, with tuition, sales and service income, gifts, grants and contracts -- pri-

marily from federal sources -- making up the rest of the revenue sources. Total expenditures increased approximately 23 percent from the 1979-81 biennium to the 1981-83 biennium. Operating expenditures primarily for instruction have increased an average of 10.1 percent per year, but are expected to increase only 0.4 percent from 1981-82 to 1982-83. Expenditures on a per student basis have increased over the past five years, but less than the rate of inflation. Enrollments have ranged from 46,100 to 48,400 over the past 10 years, showing a decline in the most recent years.

VIII. SOME SECTORAL COMPARISONS

The Education Coordinating Commission has prepared useful comparative summaries of the public education sectors (excluding ESDs). [60]

Highlights of the comparative data:

- * State appropriations have been relatively more beneficial to elementary and secondary education, from 1977-78 to 1982-83 than for community colleges, state colleges and universities. Increases in BSSF, however, have not kept pace with increases in inflation, as measured by the Portland Consumers Price Index. BSSF increases of 58.5 percent compare to the community college increase of 18.4 percent, and the state college and university increase of 25.7 percent. The CPI increased 64.7 percent over that time period.
- * Enrollments for the entire education sector declined 3.1 percent from 1977-78 to 1982-83, from 559,117 to 542,017. Only community colleges had an increase, a substantial 17.9 percent. Elementary and secondary enrollments decreased 5.1 percent; state colleges and universities decreased 4.7 percent. Independent colleges maintained a stable enrollment.
- * State Appropriations per student increased most rapidly for elementary and secondary education, slightly more than inflation over the 1977-78 to 1982-83 period. State college and university per student appropriations fared secondbest, with 32 percent increases -- below the 64.7 CPI increase. Community colleges fared worst of all of the public education sectors, as level appropriations and increasing enrollments resulted in a 0.4 percent increase on a per student basis. Reductions in the already small appropriations to independent colleges result in a 37.3 percent decrease for that sector.
- * State support of operating expenditures also have been compared by the Oregon Education Coordinating Commission, and show that the greatest change since 1977-78 has occurred for community colleges. The state share of community college operating expenditures has

decreased from 46.2 percent in 1977-78 to 35.5 percent. State colleges and universities have experienced a 5 percent decline and elementary and secondary schools have declined 1.2 percent per year from 1977-78, but 5.3 percent from the high of 1978-80.

* Expenditures per student over the past 15 years have increased more rapidly for elementary and secondary education than for any other sector. Shown below are growth indexes for each sector from 1967-68 to estimates for 1981-82.

<u>Sector</u>	<u>Growth Indexes</u>	
	<u>1967-68 to 1981-82</u>	<u>1977-78 to 1981-82</u>
Elementary	441.3	166.6
Community Colleges	267.4	138.0 State
Colleges and Universities	296.3	142.1 Portland
CPI	278.2	154.4

Community college expenditures per student have not exceeded the growth in the CPI in either time period. For the most recent five years shown, state colleges and universities have increased less rapidly than the CPI, but elementary and secondary expenditures per student have exceeded the CPI.[60]

Real appropriations per student have increased only for the elementary/secondary sector over the past 15 years. Real appropriations per student for Higher Education have decreased slightly -- 5.1 percent since 1967-68 -- with greater decreases occurring at the Community College level, at -36.2 percent.[61]

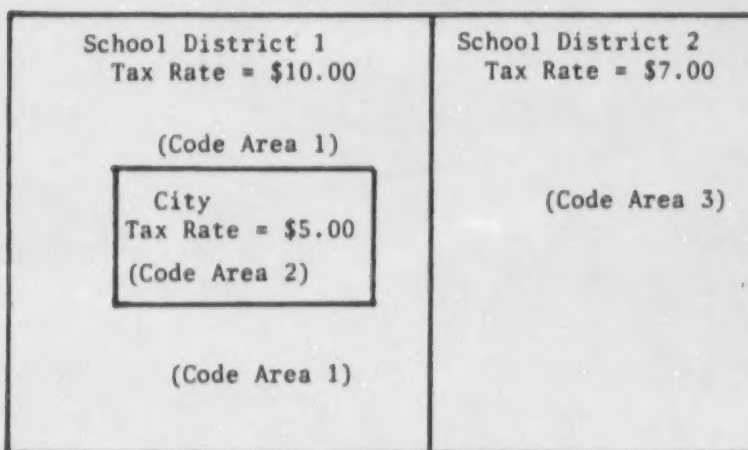
APPENDIX A

EXAMPLE OF DETERMINING CONSOLIDATED TAX RATES

The following simplified example shows the code areas and their respective consolidated tax rates for a hypothetical county in which there are two school districts and one city.

A home with an assessed value of \$50,000 in Code Area 2, will have a consolidated tax rate of \$19.67 per \$1000 assessed value, paying taxes to be allocated to the county, the school district, and the city. The property tax bill for this home would be \$983.50. When the tax bill is paid to the county Tax Collector, the money is deposited into what is called the "unsegregated tax funds" account. The Tax Collector periodically distributes all of the funds from this account to the various tax districts in the county, based on the proportion of their levy to the total of all levies within the county. The districts then will spend the money or bank it for use throughout the year.

COUNTY (TAX RATE= \$4.67)



Code Area 1:
 County \$ 4.67
 Sch. Dist. 1 10.00

Consolidated
 Rate \$14.67

Code Area 2:
 County \$ 4.67
 Sch. Dist. 1 10.00
 City 5.00

Consolidated
 Rate \$19.67

	Assessed Value (\$1000's)	Levy	Rate per \$1000 AV
City	\$100,000	\$ 500,000	\$ 5.00
SD 1	130,000	1,300,000	10.00
SD 2	50,000	350,000	7.00
County	180,000	840,000	4.67

Code Area 3:
 County \$ 4.67
 Sch. Dist. 2 7.00

Consolidated
 Rate \$11.67

Table 1: 1981-83 State General Fund Revenue Sources
(After June 1982 Special Session)

	<u>\$ Million</u>	<u>Percentage</u>
Personal Income Tax	2218.3	76.1
Corporate Excise & Income	260.9	9.0
Insurance Taxes	62.6	2.1
Gift & Inheritance	64.6	2.2
Cigarette Tax	102.9	3.5
Other Taxes	4.6	0.2
Licenses & Fees	23.3	0.8
Charges for Services	4.0	0.3
Liquor Apportionment	81.1	2.8
Interest Earnings	43.5	1.5
Other	44.1	1.5
Transfers from Other Funds	<u>-</u>	<u>-0-</u>
 Total Revenues	 2,914.9	 100.0%
 Plus Beginning Balance	 <u>7.4</u>	
 Total Available	 2,922.3	
 Less Appropriations	 <u>2,918.4</u>	
 Ending Balance	 \$3.9	

Table 2: 1981-83 General Fund Appropriations (\$ Millions)

		<u>After Regular Session</u>	<u>After 1/82 and 6/82 Special Sessions</u>
Economic Develop., Consumer Services		24.1	24.9
Education		1,427.8	1,399.7
Higher Education	368.5		373.2
* Community Colleges	100.7		98.0
PESIC	3.1		3.0
Scholarship	14.5		14.1
* BSSF	869.8		840.5
* Other School Aid	35.2		36.2
Dept. of Education	30.7		24.7
Other Education	5.3		10.0
Human Resources		749.6	712.9
Natural Resources		43.8	41.6
Public Safety		78.8	81.2
Transportations		12.7	11.2
Legislative		21.9	21.7
Judicial		24.8	47.1
Administration		67.3	70.8
*Property Tax Relief		538.8	490.0
Miscellaneous (E. Fund/salary & Fringe Adj.)		107.1	17.3
Total General Fund		\$3,096.9	\$2,918.4

TABLE 3

EDUCATION APPROPRIATIONS AS A PERCENTAGE
OF GENERAL FUND APPROPRIATIONS
(1967-69 TO 1981-83)^a

Year	Approp	All Ed ^c	% App	Basic School Support	% App	Aid To Community College	% App	Dept of Higher Education	% App	Finan- cial Aid	% App	PESIC	% App
67-69	567.5	327.9	57.78	155.9	27.47	20.8	3.67	138.5	24.41	.4	.07	-	-
69-71	717.7	397.2	55.34	177.8	24.78	32.1	4.47	165.0	22.99	1.1	.15	-	-
71-73	831.8	449.3	54.02	203.5	24.47	42.3	5.09	175.6	21.11	2.6	.31	2.0	.24
73-75	1,183.6	610.2	51.42	314.3	26.56	54.9	4.64	208.4	17.57	4.4	.37	3.2	.27
75-77	1,599.3	771.7	48.26	418.2	26.15	79.2	4.95	233.4	14.59	5.5	.35	4.3	.27
77-79	2,068.6	1,066.4	51.55	607.7	29.38	103.5	5.00	291.8	14.11	9.5	.46	4.9	.24
79-81	2,936.5 ^b	1,331.9	46.08	790.7	27.36	103.6	3.53	357.5	12.28	12.7	.43	5.1	.18
Est 81-83	2,918.3	1,399.7	47.96	840.5	28.80	104.3	3.57	373.2	12.78	14.1	.48	3.0	.10

^aBased on reports of the Executive Department summarizing legislative budget actions, 1971-73 to 1979-81. Adopted budget Sixty-First Legislative Assembly, 1981-83, including changes by 1981 Special Session, October 24, 1981 and 1982 Special Session, January 18-March 1, 1982, Executive Department, May 1982. Executive Department summary, June 1982 Special Session.

^bIncludes reduction of \$12.5 million in Federal Revenue Sharing for 1980-81. Includes August 1980 Special Session actions and Emergency Board allocations of \$1,000,000 to the Department of Higher Education, \$471,042 to community colleges, and \$525,000 to the Scholarship Commission for state need grants.

^cExcludes 30 percent property tax relief payments applied to reducing individual property tax bills for public schools and community colleges.

Source: Oregon Educational Coordinating Commission, Report Outline, 1983-85 Education Budget Assessment
Table 1-2, p. 30, Salem, Oregon, 6/23/82.

TABLE 4

1981-83 "OTHER FUNDS" (Non-General Funds) REVENUES BY SOURCE

	Legislative Action
<u>TAXES</u>	
SELECTIVE SALES AND USE TAXES	
CIGARETTE TAXES	\$ 14,530,000
MOTOR FUELS TAXES	195,513,819
WEIGHT-MILE TAXES	120,782,354
PRIVILEGE TAXES	23,842,722
OTHER SELECTIVE SALES AND USE TAXES	3,555,877
GROSS RECEIPTS BUSINESS TAXES	
AMUSEMENT TAXES	296,000
PUBLIC UTILITIES TAXES	7,055,477
EMPLOYER-EMPLOYEE TAXES	
EMPLOYMENT TAXES	585,400,000
WORKERS' COMPENSATION INSURANCE TAXES	130,688,000
SEVERANCE TAXES	
EASTERN OREGON SEVERANCE TAXES	5,310,000
WESTERN OREGON SEVERANCE TAXES	106,328,892
OTHER TAXES	
FOREST PROTECTION TAXES	2,697,000
OTHER TAXES	4,053,390
<u>LICENSES AND FEES</u>	
BUSINESS LICENSES & FEES	45,105,979
NONBUSINESS LICENSES & FEES	
PARK USER FEES	6,986,000
VEHICLE LICENSES	94,111,747
DRIVER'S LICENSES	19,921,046
TRANSPORTATION LICENSES & FEES	3,067,635
HUNTER & ANGLER LICENSES	34,507,848
NONBUSINESS LICENSES & FEES	23,288,092

Table 4 cont'd.

	Legislative Action
<u>Federal Funds Received and Expended as Other Funds</u>	\$ 571,585,676
<u>OTHER REVENUES</u>	
CHARGES FOR SERVICES	
TUITION & FEES-HIGHER EDUCATION	79,050,744*
AUXILIARY ENTERPRISE & SERVICE FEES	
HIGHER EDUCATION	134,492,555
SALES & SERVICE FEES-HIGHER EDUCATION	35,421,566
OTHER CHARGES FOR SERVICES	66,288,445
FINES, RENTS, AND ROYALTIES	
RENTS AND ROYALTIES	37,329,325
BOND SALES	
GENERAL FUND OBLIGATION BONDS	184,520,001
DEDICATED FUND OBLIGATION BONDS	1,652,815,000
REVENUE BONDS	500,000,000
INTEREST EARNINGS	
INTEREST INCOME	1,387,950,570
SALES INCOME	
LIQUOR SALES	81,703,442
PARI-MUTUEL RECEIPTS	10,572,221
STATE FOREST LANDS	126,213,150
COMMON SCHOOL LANDS	173,100
OTHER SALES INCOME	49,685,676
DONATIONS & CONTRIBUTIONS	
DONATIONS & GRANTS (NON-FED)	79,308,900
RETIREMENT SYSTEM CONTRIBUTION	1,293,990,622
LOAN REPAYMENTS	338,135,432
INSURANCE PREMIUMS	42,303,780
OTHER REVENUES	149,831,952
TOTAL	\$8,248,414,035

Table 5: 1981-83 Appropriations by Program Area, by Fund,
as of the 1981 Regular Legislative Session

	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Sub-Total Non-General Fund</u>	<u>General Fund *</u>	<u>Total *</u>
Economic Develop- and Consumer Services	\$3,971,730,626	\$ 30,195,036	\$4,001,925,662	\$ 24,977,330	\$ 4,026,002,992
Education	596,920,234	316,499,997	913,420,231	1,427,789,885	2,341,210,116
Human Resources	716,930,966	749,492,955	1,466,333,921	749,597,470	2,215,931,391
Natural Resources	383,102,108	57,036,298	440,138,406	43,823,771	483,962,177
Public Safety	21,967,536	4,631,663	26,619,199	78,832,537	105,451,736
Transportation	796,323,562	11,670,435	807,993,997	12,740,125	820,734,122
Administration and Support Services	313,404,607	794,828	314,199,435	606,163,759	920,363,194
Legislative Branch	2,739,217	-----	2,739,217	21,914,233	24,653,450
Judicial Branch	1,496,625	-----	1,496,625	24,854,176	26,350,801
Miscellaneous	67,784,610	25,450,390	93,235,000	107,144,146	200,379,146
Special Programs	-----	-----	-----	-----	-----
GRAND TOTAL	\$6,872,420,091	\$1,195,681,602	\$8,068,101,693	\$3,096,937,432	\$11,165,039,125

* As of regular legislative session. These figures changed after subsequent special sessions.

Source: State of Oregon, Adopted Budget Sixty-First Legislative Assembly, 1981-83 including changes
by 1981 special session October 24, 1981 and 1982 special session January 18 - March 1, 1982.

Table 6: Oregon Local Government Expenditures, 1979-80

<u>Government</u>	<u>Expenditures</u> <u>(\$ Millions)</u>	<u>Percent of</u> <u>Total</u>
Counties	577.0	17.9
Municipalities	806.0	25.0
Special Districts	348.7	10.8
School Districts	<u>1,491.9</u>	<u>46.3</u>
Total	3,223.6	100.0

Source: U.S. Department of Commerce, Bureau of the Census,
Governmental Finances in 1979-80, Table 23, p. 83.

Table 7: SOURCE OF REVENUE FOR OREGON LOCAL GOVERNMENTS
BY PERCENTAGE, 1979-80 FISCAL YEAR

<u>Revenue Source</u>	<u>Counties</u>	<u>Cities</u>	<u>Schools</u>	<u>Special Districts</u>
Property Tax	15.0	20.2	46.7	19.2
State Transfers	35.1	7.0	40.2	0.9
Federal Transfers	26.5	16.8	1.1	8.4
Other ^a	23.4	56.0	12.0	71.5
Total	100.0	100.0	100.0	100.0

Source: U.S. Dept. of Commerce, Bureau of the Census,
Governmental Finances in 1979-80, September 1981

a Includes charges, non-property taxes and other miscellaneous revenues.

Table 8: PROPERTY TAXES BY UNIT OF GOVERNMENT, 1981-82 FISCAL YEAR

<u>Unit</u>	<u>Property Tax Receipts</u>	<u>Percent of Total Property Taxes</u>
Counties	149,437,467	10.5
Cities	206,953,154	14.6
School	839,280,632	59.0
Education Service Districts	49,099,026	3.5
Community College	64,343,061	4.5
Fire Districts	58,325,200	4.1
Port Districts	9,031,743	0.6
Other	45,508,013	3.2
Total	\$1,421,978,296	100.0

Source: Oregon Department of Revenue, Oregon Property Tax Statistics, 1981, Salem, Oregon, p. 2.

TABLE 9
PROPERTY TAX LEVIES
1970-71 TO 1981-82

	<u>Counties</u>	<u>Cities</u>	<u>Schools (Inc. ESD's)</u>	<u>Community Colleges</u>	<u>Fire Districts</u>	<u>All Other</u>	<u>Totals</u>
1970-71	\$ 51.3	\$ 69.4	\$341.4	\$18.9	\$10.8	\$11.4	\$ 503.3
1971-72	56.5 (10.1%)	71.1 (2.5%)	364.5 (6.8%)	21.0 (11.0%)	12.4 (14.9%)	14.4 (25.9%)	539.9 (7.3%)
1972-73	58.4 (3.4)	75.2 (5.8)	394.6 (8.2)	22.8 (8.4)	13.8 (11.2)	16.3 (13.4)	581.1 (7.6)
1973-74	61.0 (4.4)	81.0 (7.7)	394.4 (0.0)	24.2 (6.1)	16.0 (15.6)	17.1 (5.1)	593.7 (2.2)
1974-75	65.8 (7.8)	91.8 (13.3)	458.9 (16.3)	28.0 (16.1)	20.0 (25.2)	19.7 (14.9)	684.2 (15.2)
1975-76	71.2 (8.3)	103.1 (12.3)	521.3 (13.6%)	33.3 (18.6)	23.4 (16.9)	21.1 (7.3)	773.3 (13.0)
1976-77	79.4 (11.5)	115.6 (12.1)	567.8 (8.9)	36.1 (8.6)	27.1 (16.2)	26.7 (26.8)	852.7 (10.3)
1977-78	85.7 (7.9)	124.4 (7.6)	577.2 (1.7)	39.9 (10.5)	31.4 (15.6)	34.6 (29.6)	893.2 (4.7)
1978-79	88.1 (2.8)	132.0 (6.1)	575.8 (0.2)	40.9 (2.6)	36.1 (15.0)	34.2 (1.1)	907.2 (1.6)
1979-80	94.3 (7.0)	152.7 (15.7)	636.2 (10.5)	47.9 (17.0)	41.8 (15.9)	31.8 (7.3)	1,004.6 (10.7)

Average Increase

1980-81	107.2 (13.7)	183.8 (20.4)	742.3 (16.7)	55.9 (16.7)	-	-	1,175.1 (17.0)
1981-82	149.4 (39.4)	207.0 (12.6)	888.4 (19.7)	64.3 (15.0)	-	-	1,413.0 (20.2)

Note: Levies are in million of dollars. Growth rates are in parentheses. Figures do not include urban renewal levies. Figures may not add exactly to totals due to rounding.

Source: Legislative Revenue Office, January 31, 1980; Oregon Department of Revenue, 1981-82 and 1982-83.

SOURCE: Oregon Educational Coordinating Commission, Report Outline, 1983-85 Education Budget Assessment, Table 4-3, p.43, Salem, Oregon, 5/26/82.

Table 10: Statewide Elementary and Secondary Budget Resources,
and Necessary Property Tax Levies, 1981-82
(\$ in millions)

	<u>1981-82</u>	<u>% of Total Budget</u>
<u>Resources</u>		
Local sources	\$ 133.3*	7.5
Intermediate sources	27.7	1.6
State sources	436.9	24.5
Federal sources	88.0	4.9
Other sources	47.0	2.6
Beginning balances	<u>230.2</u>	<u>12.9</u>
Total Resources	963.2	54.0
<u>Total Budget Requirements</u>	<u>\$1782.9</u>	<u>100.0</u>

Revenue Necessary to Balance	819.7*	46.0
Plus: Estimated Uncollected Tax	68.0	
Total Property Taxes Levied	\$887.7	

Source: Department of Education, 1981-82 Statewide Budget Summaries

* Indicates local source of revenue.

Table 11: Statewide Elementary and Secondary School Budget Resources,
Budgeted versus Audited Data, 1980-81
(\$ in millions)

<u>Source</u>	<u>1980-81 Audited</u>	<u>1980-81 Budgeted</u>
Local Resources	\$ 192.8	\$ 159.9
Intermediate Resources	28.5	24.9
State Resources	439.6	441.9
Federal Sources	101.6	90.0
Other Sources	--	--
Beginning Balances	<u>260.1</u>	<u>217.5</u>
Total Resources	\$ 1022.6	\$ 934.1
Budget Requirements	\$ 1745.2	\$ 1617.6
Property Tax Levies Required to Balance	\$ 669.0	\$ 736.9

Source: Department of Education

Table 12

APPROPRIATIONS TO THE BASIC SCHOOL SUPPORT FUND

<u>School Year</u>	<u>Total Appropriation</u>	<u>Current Expenditures</u>	<u>BSSF As A Percentage of Current Expenditures</u>
1947-48	\$ 15,945,600	\$ 43,512,586	36.65%
1948-49	16,953,900	51,799,713	32.73
1949-50	17,488,850	58,799,084	29.51
1950-51	18,424,750	63,213,348	28.96
1951-52	29,596,560	72,329,629	40.48
1952-53	30,986,320	78,720,258	38.98
1953-54	32,370,400	87,690,522	36.64
1954-55	33,477,760	94,844,059	35.05
1955-56	35,143,600	102,336,171	34.01
1956-57	36,377,520	114,015,748	31.59
1957-58	45,152,835	122,596,710	36.36
1958-59	50,986,530	134,053,980	33.95
1959-60	52,612,350	152,022,411	34.16
1960-61	55,019,790	161,451,137	33.66
1961-62	61,784,670	177,525,938	34.38
1962-63	65,454,360	190,418,785	33.96
1963-64	65,183,976	208,684,981	31.23
1964-65	61,166,827 ^a	220,224,797	27.77
1965-66	72,088,280	239,193,010	30.14
1966-67	75,898,400	262,427,781	28.92
1967-68	77,785,920	286,729,360	27.13
1968-69	77,431,040	325,535,605	23.79
1969-70	88,927,522	363,362,991	24.47
1970-71	88,927,520	398,012,957	22.34
1971-72	99,427,521	421,634,623	23.58
1972-73	104,062,947	459,209,773	22.66
1973-74	143,520,000	505,138,410	28.41
1974-75	170,788,800	579,991,228	29.45
1975-76	200,732,970	659,717,859	30.42
1976-77	217,445,933	716,519,451	30.35
1977-78	269,000,000	777,129,576	34.61
1978-79	341,372,927	883,324,208	38.65
1979-80	384,378,581	993,146,028	38.70
1980-81	406,376,009 ^b	1,126,191,071	36.08
1981-82	413,959,754	1,238,133,231 est.	33.43
1982-83	426,182,967 ^c	1,361,946,553 est.	31.29

a Reduced by legislative action from original appropriation of \$69,877,592.

b Reduced by legislative action from original appropriation of \$418,653,130, due to loss of federal revenue sharing.

c Reduced by legislative action from original appropriation of \$455,840,246.

Source: Oregon Dept. of Education, School Finance & Data Information Service, July 1982.

Table 13: Approved Programs vs. Net Operating Costs Per Pupil

<u>Data Year</u>	<u>Distribution Year</u>	<u>Maximum Approved Program</u>	<u>Percent Change</u>	<u>Net Operating Costs</u>	<u>Percent Change</u>
1978-79	1979-80	\$1,913	-	1,855	-
1979-80	1980-81	2,085	9.0	2,094	12.9
1980-81	1981-82	2,271	8.9	2,409	15.0
1981-82	1982-83	2,459	8.3	2,743 est.	13.9

Source: Department of Education

Table 14: Primary and Secondary Public Education Expenditure Summary
All Funds, 1981-82 Budgets

<u>Function</u>	<u>\$ Millions</u>	<u>Percent of Total</u>	<u>Percent of Component</u>
Instruction - Regular Programs	\$ 720.8	40.4	
Salaries	498.8		69.2
Benefits	158.7		22.0
Other	63.3		8.8
Instruction - Special Programs	106.4	6.0	
Salaries	74.3		69.8
Benefits	24.2		22.7
Other	7.9		7.5
Instruction - Other	1.7	0.1	
Supporting Services	771.4	43.3	
Community Services	5.6	0.3	
Interagency/Fund Transactions	59.3	3.3	
Debt Service	70.0	3.9	
Unappropriated Balance	47.7	2.7	
Total	<u>\$1,782.9</u>	<u>100.0</u>	

Source: Department of Education, School District Budget Summary, 1981-82, State Total, p. 12.

Table 15: Primary and Secondary General Fund Budgets
Statewide, 1981-82

	<u>Millions</u>	<u>Percent of Total</u>
Instruction	\$ 767.2	54.6
Regular Programs	700.7	49.9
Special Programs	65.2	4.6
Adult/Continuing Education	.3	0
Summer School	1.0	.1
Supporting Services	569.5	40.5
Student Services	45.5	3.2
Instruction Staff & Ed. Media	70.9	5.0
General Administration	31.2	2.2
School Administration	99.3	7.1
Business	310.6	22.1
Central	12.0	.9
Community Services	4.7	0.3
Interagency/Fund Transactions	53.2	3.9
Debt Services	.3	0
Unappropriated Balance	<u>10.1</u>	<u>0.7</u>
Total	\$ 1,405.0	100.0

Table 16: General Fund Expenditures by Selected Function, Statewide Totals
1977-78 to 1981-82, Budget Data

(Dollars in Millions)

	<u>1977-78</u>	<u>1978-79</u>	<u>Change</u>	<u>1979-80</u>	<u>Change</u>	<u>1980-81</u>	<u>Change</u>	<u>1981-82</u>	<u>Change</u>
Instruction									
A. Regular Programs	\$450.6	\$504.2	11.9	\$567.4	12.5	\$645.0	13.7	\$700.7	8.6
(1) Salaries	\$348.2	\$381.1	9.5	\$421.2	10.5	\$465.9	10.6	\$493.7	6.0
(2) Employee Benefits	\$ 70.5	\$ 86.3	22.5	\$101.5	17.7	\$130.5	28.5	\$155.6	19.2
B. Special Programs	\$ 24.7	\$ 32.4	31.0	\$ 43.0	32.9	\$ 55.6	29.2	\$ 65.2	17.4
(1) Salaries	\$ 18.9	\$ 24.0	27.5	\$ 31.6	31.4	\$ 39.5	24.9	\$ 45.6	15.5
(2) Employee Benefits	\$ 3.9	\$ 5.6	43.8	\$ 8.1	44.6	\$ 12.0	47.1	\$ 15.1	25.8
Pupil Support	\$ 24.9	\$ 27.8	11.8	\$ 34.0	22.1	\$ 40.4	18.8	\$ 45.5	12.6
General Administration	\$ 19.7	\$25.0	26.9	\$ 23.9	-4.5	\$ 26.4	10.7	\$ 31.2	17.8
School Administration	\$ 58.6	\$ 66.1	12.8	\$ 73.7	11.5	\$ 84.1	14.1	\$ 99.3	18.2
Salaries	\$ 45.8	\$ 50.5		\$ 55.3	9.5	\$ 60.8	10.0	\$ 70.1	15.2
Benefits	\$ 9.4	\$ 11.8		\$ 14.1	19.5	\$ 18.2	29.3	\$ 23.0	26.3
Operations & Maintenance	\$119.0	\$133.1	11.8	\$150.3	12.9	\$175.1	16.5	\$189.6	8.3
Total General Fund		\$998.1		\$1,167.6	17.0	\$1,336.2	14.4	\$1,405.0	5.1

Source: Department of Education, Statistical Summary Prepared for the 61st Legislative Assembly, Table 11, p.9, for 1977-78 to 1979-80. Data for subsequent years from Dept. of Education School District Budget Summaries.

Table 17: Current Expenditures Per Pupil, 1967-68 to 1981-82

<u>Year</u>	<u>Expenditures/Pupil</u>	<u>Percent Change</u>
1967-68	\$ 641.59	-
1968-69	715.09	11.5
1969-70	787.15	10.1
1970-71	858.00	10.9
1971-72	911.59	6.2
1972-73	989.88	8.6
1973-74	1096.98	10.8
1974-75	1265.05	15.3
1975-76	1443.82	14.1
1976-77	1566.87	8.5
1977-78	1700.32	8.5
1978-79	1944.58	14.4
1979-80	2206.53	13.5
1980-82	2541.11	15.2
1981-82 est.	2890.63	13.8

Average Annual Growth, 1967-68 to 1981-82 = 11.35 percent.

Source: Department of Education, current operating expenditures used for Basic School Support Fund distributions and June 30 ADM figures.

Table 18: Price Indexes

Year	Portland CPI-U Annual Average	Percent Change	Implicit Price Deflators			
			GNP	%	State/Local	%
1967	100.0	--	79.6	-	74.3	-
1968	103.5	3.5	87.8	4.0	78.8	6.1
1969	108.6	4.9	86.7	4.7	83.6	6.1
1970	113.2	4.2	91.4	5.4	89.6	7.2
1971	116.1	2.6	96.0	5.0	94.8	5.8
1972	119.5	2.9	100.0	4.1	100.0	5.5
1973	127.3	6.5	105.7	5.7	106.9	6.9
1974	142.8	12.2	114.9	8.7	117.4	9.8
1975	156.5	9.6	125.6	9.3	128.3	9.3
1976	166.9	6.6	132.1	5.2	137.0	6.8
1977	180.2	8.0	139.8	5.8	146.0	6.6
1978	198.4	10.1	150.1	7.4	156.9	7.5
1979	225.4	13.6	167.8	8.5	169.8	8.2
1980	255.4	13.3	177.4	9.0	184.7	8.8
1981	278.3	9.0	193.7	9.2	200.3	8.4

Annual Average Growth:

CPI-U, 1967 to 1981 = 7.6 percent

GNP Price Deflator = 6.6 percent

State and Local Deflator = 7.3 percent

Table 19
EDUCATION SERVICE DISTRICT
REVENUE SOURCES (ALL FUNDS)
1981-82

<u>Source</u>	<u>Amount</u>	<u>% of Total</u>
Property Tax Levies		
- Operations	\$43,720,136	45.0%
- Equalization	4,884,717 ^a	5.0
Prior Years Taxes	1,938,947	2.0
Other Local Sources	20,432,103	21.1
State Funds	6,788,304	7.0
Federal Funds	8,334,512	8.6
Beginning Balances	10,931,747	11.3
Total	<u>\$97,030,466</u>	<u>100.0%</u>

^a Does not include additional amounts levied for estimate of uncollected taxes (total of \$4,283,665).

Source: Department of Education, Management Services Division.

Table 20: Statewide Total Education Service Districts' Budget Resources and Tax Extensions, 1978-79 to 1981-82, All Funds

	<u>1978-79</u>	<u>1979-80</u>	<u>% Change</u>	<u>1980-81</u>	<u>% Change</u>	<u>1981-82</u>	<u>% Change</u>
Total Budget Requirements	\$ 127.2	135.7		84.5		97.0	
Total Less BSSF Pass-through	65.4	69.5	6.3	84.5	21.6	97.0	14.8
Beginning Balance	5.7	7.9		7.9		10.9	
Prior Years' Taxes	4.2	2.0		2.2		1.9	
Other Local Sources	13.8	12.1		18.1		20.4	
State Revenue	3.2	5.7		6.3		6.8	
Federal Revenue	2.7	4.9		7.2		8.3	
Sub total, Revenues	<u>29.6</u>	<u>32.6</u>	<u>10.1</u>	<u>41.7</u>	<u>27.9</u>	<u>48.4</u>	<u>16.1</u>
Revenue Necessary to Balance	97.6	103.1		42.8		48.6	
Est. Uncollected Tax	4.0	4.4		3.4		4.3	
Certified Levy	101.6	107.5		46.2		52.9	
Offsets to Levy							
BSSF	61.8	66.2		-		-	
Other	4.2	2.9*		3.1*		3.7*	
Extended Levy	<u>35.6</u>	<u>38.4</u>	<u>7.9</u>	<u>43.1</u>	<u>12.2</u>	<u>49.2</u>	<u>14.2</u>
Certified Levy							
Operating Purposes	97.3	103.3		41.6		47.6	
Oper. Purp. less BSSF	35.5	37.1	4.5	41.6	12.1	47.6	14.4
Non-Oper. Purposes	4.3	4.2	-2.3	4.7	11.9	5.3	12.8

* "Other" offsets are computed here as residuals and do not agree with Dept. of Education data. Certified levies less offsets should equal extended levies. It was assumed that certified and extended levies were correct.

Source: Oregon Dept. of Education, Summary of School District Budget Resources and Tax Extensions, (Selected years).

Table 21: Education Service Districts General Fund Expenditures
1978-79, Statewide

<u>Expenditures</u>	<u>General Fund</u> <u>(\$1000s)</u>	<u>Percent</u>
Regular Programs	\$1,194	3.5%
Special Programs	7,472	21.8
Adults In Continuing Education Programs	35	.1
Support Services, Pupils	4,368	12.8
Support Services, Instructional	2,589	7.6
Educational Media Services	4,906	14.4
Support Services, General Administration	2,933	8.6
Support Services, School Administration	1,012	3.0
Support Services, Business	3,563	10.4
Support Services, Internal Services	468	1.4
Support Services, Central	2,560	7.5
Community Services	42	.1
Contingencies & Unappropriated Balances	3,047	8.9
	34,189	100.0

Note: General Fund also included \$11.7 million in transfer payments.

Source: Oregon Education Coordinating Commission report, "Analysis of Education Service District Finance and Program Data, June 1980, OECC 1980.

TABLE 22
OREGON COMMUNITY COLLEGES
REIMBURSABLE PROGRAM OPERATING COSTS 1980-81

Institution	(1) Reimbursable Program Operating Costs*	(2) State Funds**	(3) Reimbursable Program Tuition & Fees*	(4) (1 minus 2 & 3) Local and Other
BLUE MOUNTAIN	\$ 4,355,726	\$ 1,391,822	\$ 510,075	\$ 2,453,829
		31.95	11.71%	56.34
CENTRAL OREGON	4,868,476	1,590,451	591,092	2,686,933
		32.67	12.14	55.19
CHEMEKETA	14,097,073	4,920,682	2,250,574	6,925,817
		34.91	15.96	49.13
CLACKAMAS	10,414,500	3,244,914	1,424,955	5,744,631
		31.16	13.68	55.16
CLATSOP	3,681,311	1,191,313	441,925	2,048,073
		32.36	12.01	55.63
LANE	18,645,754	7,537,468	4,536,556	6,571,730
		40.42	24.33	35.25
LINN-CENTON	9,662,749	3,905,788	1,776,335	3,980,626
		40.42	18.38	41.20
MT. HOOD	12,290,582	5,280,228	2,436,891	4,573,463
		42.96	19.83	37.21
PORTLAND	23,729,030	11,022,345	6,244,427	6,462,258
		46.45	26.32	27.23
ROGUE	3,814,243	1,843,164	781,247	1,189,832
		48.32	20.48	31.20
SOUTHWESTERN	4,310,725	1,649,565	615,299	2,045,861
		38.27	14.27	47.46
TREASURE VALLEY	3,072,709	1,092,933	537,866	1,441,910
		35.57	17.50	46.93
UMPQUA	4,737,037	1,968,367	897,493	1,871,177
		41.55	18.95	39.50
TREATY OAK AED	563,205	214,619.45	116,058	232,527.55
		38.11	20.61	41.28
STATE TOTALS	\$118,243,120	\$46,853,659.45	\$23,160,793	\$48,228,667.55
		39.62%	19.59%	40.79%

*The percentage of Reimbursable Program FTE (from Table I) was multiplied against the audited General Funds Expenses & Tuition and Fees; as shown on Table IX.

**State Funds are those paid for the 1980-81 school year and not necessarily all funds paid during the Fiscal year.

Source: Oregon Department of Education

Table 23: Community College Operating Costs
and Percentage of Reimbursable Costs by Source, 1977-78 to 1980-81
(\$ millions)

	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
Total General Fund Operating Costs	n.a.	\$99.5	\$112.5	\$124.1
Reimbursable Operating Costs	\$85.7	\$96.3	\$108.0	\$118.2
% Reimbursable/Total		96.8%	96.0%	95.2
% Reimbursable-State	46.3	44.4	43.7	39.6
% Reimbursable-Tuition & Fees	19.2	18.2	18.3	19.6
% Reimbursable-Local & Other	34.5	37.4	38.0	40.8

Source: Oregon Department of Education, Community College Division. Data from
untitled annual summary packet, Tables VIII and IX.

Table 24: Average Tuition, 1981-82, at Oregon Community Colleges

<u>Institution</u>	<u>1981-82 Tuition</u>
Blue Mountain	\$468
Central Oregon	432
Chemeketa	540
Clackamas	510
Clatsop	468
Lane	524
Linn-Benton	504
Mt. Hood	495
Portland	473
Rogue	504
Southwestern	540
Treasure Valley	570
Umpqua	576
Treaty Oak AED	--
State Average (unweighted)	\$508
Median	\$504
Weighted Average (by FTE)	\$505

Table 25: Property Tax Rates for Oregon Community Colleges,
1979-80 to 1981-82

	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
Blue Mountain	\$1.42	\$1.50	\$1.54
Central	1.16	1.21	1.34
Chemeketa	1.38	1.45	1.53
Clackamas	1.53	1.79	1.39
Clatsop	1.28	1.23	1.12
Lane	1.08	1.26	1.41
Linn-Benton	1.04	1.06	1.32
Mt. Hood	1.58	1.70	1.68
Portland	.44	.43	.58
Rogue	.62	1.33	1.25
Southwestern	1.38	1.43	1.33
Treasure Valley	2.59	2.69	2.79
Umpqua	.62	.81	.78
Treaty Oak AED	.16	.27	.30
Tillamook Bay AED	--	--	.29
Statewide Average	\$.97	\$ 1.06	\$ 1.11
Total Levies	\$49.1 million	\$56.2 million	\$64.8 million

Source: Oregon Department of Education, Community College Division

Table 26

COMMUNITY COLLEGE REIMBURSABLE PROGRAM OPERATING COSTS
PRE-AUDIT, 1966-67 TO 1976-77

<u>Year</u>	<u>Adminis-</u> <u>tration</u> %	<u>Instruction</u> %	<u>Plant</u> <u>Operation</u> %	<u>Plant</u> <u>Maintenance</u> %	<u>Student</u> <u>Services</u> %	<u>Fixed</u> <u>Charges</u> %	<u>Total</u>
1966-67	797 - 7.7	7,815 - 76.1	534 - 5.2	236 - 2.3	154 - 1.5	738 - 7.2	10,274
1967-68	1,022 - 7.6	10,090 - 75.4	772 - 5.8	230 - 1.7	222 - 1.7	1,048 - 7.8	13,384
1968-69	1,257 - 6.9	13,599 - 74.8	1,247 - 6.8	286 - 1.6	294 - 1.6	1,504 - 8.3	18,186
1969-70	1,732 - 7.4	16,850 - 71.8	1,488 - 6.3	613 - 2.6	403 - 1.7	2,396 - 10.2	23,481
1970-71	2,253 - 7.4	21,065 - 69.6	2,459 - 8.1	674 - 2.2	571 - 1.9	3,260 - 10.8	30,282
1971-72	2,771 - 7.7	24,303 - 67.8	2,915 - 8.1	1,056 - 3.0	792 - 2.2	4,019 - 11.2	35,856
1972-73	2,595 - 6.2	28,145 - 67.1	3,731 - 8.9	1,184 - 2.8	887 - 2.1	5,387 - 12.9	41,928
1973-74	3,077 - 6.3	33,298 - 67.6	4,329 - 8.8	1,481 - 3.0	898 - 1.8	6,174 - 12.5	49,257
1974-75	3,687 - 6.4	38,765 - 67.0	5,144 - 8.9	1,618 - 2.8	1,362 - 2.3	7,273 - 12.6	57,849
1975-76	4,463 - 6.4	46,115 - 66.5	6,273 - 9.1	1,848 - 2.7	1,502 - 2.2	9,114 - 13.1	69,316
1976-77	4,863 - 6.3	51,026 - 66.4	6,831 - 8.9	2,069 - 2.7	1,644 - 2.2	10,370 - 13.5	76,802

Source: Oregon Department of Education, Community College Division, December 1979.

Table 27: Percentage Distribution of Community College
Operating Costs, by Function, 1980-81

<u>Function</u>	<u>Percent of Operating Costs</u>
Instruction	55.1
Instructional Support	7.1
Student Services	8.2
College Support Service	12.6
Community Services	.6
Plant Operation/Maintenance	10.5
Transfers	2.9
Contingencies	3.0
Total	100.0

Source: Community College Budgets, 1980-81 (Robert Stevens)

TABLE 28
OREGON EDUCATION ENROLLMENT SHIFTS
1971-72 & 1981-82

	1971-72 ADM	1981-82 ADM	% Change
<u>Elementary and Secondary</u>	462,524	437,068	(5.5%)
	1971-72 FTE Students	1981-82 FTE Students	% Change
<u>Postsecondary</u>			
Community Colleges	30,548	54,125	77.2
Lower Division	12,832	21,601	68.3
Vocational Technical	15,039	22,877	52.1
Other Reimbursable	2,677	9,647	260.4
Independent Colleges	13,005	15,938	22.6
Lower Division	7,485	7,804	4.3
Upper Division	4,048	5,535	36.7
Graduate	1,472	2,599	76.6
State Colleges & Univ (6 Schools)	46,660	47,012	.8
Lower Division	22,742	20,877	(8.2)
Upper Division	18,567	19,644	5.8
Graduate	5,351	6,491	21.3
Total Postsecondary	90,213	117,075	29.8%
TOTAL ALL EDUCATION	552,737	554,143	.3%

Source: OECC
OECC 6/17/82

POSTSECONDARY ENROLLMENTS
1967-68 & 1981-82

	1967-68		1981-82		%
	FTE Enrollment	% of Total	FTE Enrollment	% of Total	Increase
Community Colleges	13,998	20.6%	54,125	43.9%	286.0%
Independent Colleges	10,999	16.2	15,938	12.9	45.0
State Coll/Univ	42,820	63.1	53,285	43.2	25.0
TOTAL	67,817	100.0%	123,349	100.0%	82.0%

Source: OECC, Department of Education, Department of Higher Education enrollment reports
OECC 6/21/82

Source: Oregon Educational Coordinating Commission, Report Outline,
1983-85 Education Budget Assessment, Table 3-1, p.38, July 2, 1982.

Table 29: State Share of Education and General Services Operating Expenditures,
Higher Education, 1977-79 to 1982-83
(in millions)

	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83 est.</u>
State Appropriations	\$113.3	\$120.4	\$136.7	\$131.5	\$154.2	\$142.5
Operating Expenditures	169.2	180.0	205.5	214.7	248.8	249.8
Percent State Share	67.0%	66.9%	66.5%	61.2%	62.0%	57.0%

Source: Oregon Education Coordinating Commission, 6/22/82 Revised.

Table 30: State General Fund Appropriations to Higher Education,
1979-81 and 1981-83, After June 1982 Special Session

	Estimated 1979-81 <u>Expenditures</u>	% Increase Over <u>1977-79</u>	Estimated 1981-83 <u>Appropriations</u> ^b	% Increase Over <u>1979-81</u>
<u>Higher Education</u>				
Education & General Services	267,487,963	14.5	296,726,655	10.9
Public Services	67,991,860	14.5	70,130,845	3.1
Student Services	760,097	(12.4)	448,210	(41.0)
Capital Construction	10,559,901	(1.5)	NA	NA
Dept. Service	<u>7,500,000</u>		<u>5,904,512</u>	(21.3)
Totals	354,299,821	13.5	373,210,222	5.3

Source: OECC, 6/25/82 Revised

TABLE 31
ESTIMATED SOURCE AND APPLICATION OF FUNDS,
EDUCATION AND GENERAL SERVICES

	Estimated Beginning Balance 07-01-81	Budgeted Income 1981-82	Budgeted Expenditure 1981-82*	Estimated Ending Balance 06-30-82
<u>EDUCATION AND GENERAL SERVICES</u>				
80-040-1001 Maintenance of Institutions	--	\$290,096,328	\$146,170,188	\$143,926,140
		<u>\$290,096,328</u>	<u>\$146,170,188</u>	<u>\$143,926,140</u>
<u>Federal Funds</u>	--	234,511	234,511	--
<u>Student Fees</u>	--	71,265,557	68,279,741	2,985,816#
<u>Endowment Income</u>	--	33,000	31,564	1,436#
<u>Gifts, Grants and Contracts</u>	--	15,020,478	15,020,478	--
<u>Sales and Service Fees</u>	--	4,154,910	4,154,910	--
<u>Other Sources</u>	--	<u>2,713,821</u>	<u>2,638,207</u>	<u>75,614#</u>
TOTAL	--	<u>\$383,618,605</u>	<u>\$236,529,599</u>	<u>\$146,989,006</u>

*Without pay adjustments.

#Reserved for 1981-82 pay adjustments. Amounts for -041- accounts to fund proportionate share of pay adjustments will be added when amounts for pay adjustments are determined.

Source: Oregon Department of Higher Education, Operating Budget, 1981-82, p.9.

TABLE 32

SUMMARY OF EXPENDITURE BUDGETS BY INSTITUTION OR DIVISION

Institutions and Divisions	Budgeted Expenditure	Continuing Education	Operating & Designated Unrestricted Gifts	Auxiliary Activities	Gifts, Estimated Grants & Contracts	Estimated Total	Recharges	
							Service Departments	Estimated Cost Clearing
University of Oregon	\$ 58,037,902	\$ 508,325	\$ 1,366,906	\$ 18,555,027	\$ 25,200,000	\$ 103,668,160	\$ 4,324,915	\$ 3,298,361
Oregon State University	66,576,724	298,469	2,108,400	18,113,907	48,800,000	135,897,500	10,400,260	1,600,870
Portland State University	37,251,743	1,836,000	964,974	5,403,724	12,317,462	57,773,903	2,095,707	802,054
Western Oregon State College	10,516,470	269,587	323,177	3,345,255	2,528,136	16,982,625	106,919	--
Southern Oregon State College	12,173,059	151,000	200,646	5,219,445	1,270,000	19,014,150	99,695	--
Eastern Oregon State College	6,044,058	102,786	44,700	1,047,455	1,912,000	10,050,999	135,195	--
Oregon Institute of Technology	8,620,261	67,430	30,700	2,487,378	2,635,448	13,841,217	412,997	--
Oregon Health Sciences University	30,166,209	--	532,489	2,712,924	17,929,029	51,340,641	4,760,382	6,708,250
Teaching Research Division	254,919	--	59,558	--	2,021,269	2,335,746	56,576	--
Centralized Activities	6,527,645	--	--	79,000	--	6,606,645	2,796,377	--
Board Reserves	360,610	--	--	--	--	360,610	--	--
Subtotal	\$236,529,599	\$3,233,597	\$5,631,541	\$57,864,115	\$114,613,344	\$417,872,196	\$25,189,023	\$12,409,535
<u>Statewide Public Service Divisions</u>								
Cooperative Extension Service	\$ 12,945,651	\$ --	\$ --	\$ --	\$ 630,000	\$ 13,575,651	\$ 248,022	\$ --
Agricultural Experiment Station	15,530,670	--	--	--	376,013	15,906,683	89,927	--
Forest Research Laboratory	2,980,000	--	--	--	--	2,980,000	--	--
University Hospital	87,996,514	--	--	--	1,509,926	89,506,440	--	--
Crippled Childrens Division	5,938,876	--	--	--	1,112,866	7,051,742	--	--
Dental Clinics	1,143,876	--	--	--	--	1,143,876	--	--
Subtotal	\$126,535,587	--	--	--	\$ 3,628,805	\$130,164,392	\$ 337,949	--
TOTAL	<u>\$363,065,186</u>	<u>\$3,233,597</u>	<u>\$5,631,541</u>	<u>\$57,864,115</u>	<u>\$118,242,149</u>	<u>\$548,036,588</u>	<u>\$25,526,972</u>	<u>\$12,409,535</u>

Source: Oregon Department of Higher Education, Operating Budget 1981-82, p.3.

Table 33: Costs Per Student in Oregon's State Colleges
and Universities, by Class Level, 1977-78 to 1982-83

<u>Year</u>	<u>Lower Division</u>	<u>Upper Division</u>	<u>Graduate</u>	<u>Composite</u>	<u>CPI-U</u>
1977-78	\$2036	\$2545	\$4072	\$2531	180.2
1978-79	2245	2806	4480	2799	198.4
1979-80	2446	3058	4892	3029	225.4
1980-81	2486	3108	4972	3083	255.4
1981-82	2950	3687	5900	3665	278.3
1982-83 est.	3194	3993	6388	4008	285.8
1977-78 Growth	56.9%	56.9%	56.9%	58.4%	58.6%

Source: Department of Higher Education

TABLE 34
STATE SHARE OF OPERATING EXPENDITURES
MAJOR EDUCATION BUDGETS
1977-78 TO 1982-83
(in millions)

	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>Est 1982-83^b</u>
<u>Elementary & Secondary</u>						
Basic School Support	\$269.1	\$341.7	\$384.5	\$ 406.4	\$ 414.0	\$ 426.5
Statewide Operating Expend	777.1	883.3	993.1	1,132.7	1,238.1	NA
Percent State Share ^a	34.6%	38.7%	38.7%	35.9%	33.4%	
<u>Community Colleges</u>						
State Operating Aid	\$ 39.6	\$ 42.8	\$ 47.2	\$ 46.9	\$ 51.2	\$ 46.9
Statewide Operating Expend	85.7	96.3	108.0	118.2	144.2 ^b	NA
Percent State Share	46.2%	44.2%	43.7%	39.7%	35.5%	
<u>State Colleges & Univ(E&G)</u>						
General Fund	\$113.3	\$120.4	\$136.7	\$ 131.5	\$ 154.2	\$ 142.5
Operating Expenditures	169.2	\$180.0	205.5	214.7	248.8	249.8
Percent State Share	67.0%	66.9%	66.5%	61.2%	62.0	57.0

Source: Department of Education; Community College Division, Department of Education, Department of Higher Education, OECC

^aBased on school district estimated operating expenditures rather than statutory authorized expenditures under Basic School Support statute.

^bBoth elementary and secondary and community college figures are subject to revision as later information on 1981-82 actual and 1982-83 budget figures become available. The estimates are likely to be revised downward based on state appropriation reductions and levy election results through the May 1982 Primary.

Source: Educational Coordinating Commission, Report Outline, 1983-85 Education Budget Assessment, July 2, 1982, Table 2-1, p.34.

TABLE 35

SELECTED STATE APPROPRIATIONS
1977-78 to 1982-83
(in millions)

	1977-78	1978-79	1979-80	1980-81	Est 1981-82	Est 1982-83	% Change 78-79 to 82-83
Basic School Support	\$ 269.1	\$ 341.7	\$ 384.5	\$ 406.4	\$ 414.0	\$ 426.5	58.5 %
Community College	39.6	42.8	47.2	46.9	51.2	46.9	18.2
State Coll & Univ	113.3	120.4	136.7	131.5	154.2	142.5	25.7
Independent Inst	2.4	2.5	2.6	2.5	1.5	1.5	(37.3)
Portland CPI Increase ^a	-	10.1	13.6	13.3	8.9	6.7	64.7

^aYear-end average.

OREGON EDUCATION ENROLLMENT TRENDS^a
1977-78 TO Est 1982-83

Elem & Secondary	457,049.6	454,249.5	450,093.1	445,751.7	438,238.0	433,888.0	(5.1)%
Community College	46,937.0	47,693.0	51,335.0	53,790.0	54,125.0	55,350.0	17.9
State Coll & Univ	50,240.0	49,458.0	50,762.0	52,209.0	50,880.0	47,886.0	(4.7)
Independent Coll ^b	4,890.0	5,088.0	4,890.0	5,106.0	4,790.0	4,893.0	.1
Total All Segments	559,116.6	556,488.5	557,080.1	556,856.7	548,033.0	542,017.0	(3.1)

STATE APPROPRIATIONS PER STUDENT^b
1977-78 TO 1982-83

Elem & Secondary	\$ 589.0	\$ 752.0	\$ 854.0	\$ 912.0	\$ 944.7	\$ 983.0	66.9 %
Community College	844.0	897.0	919.0	868.0	946.0	847.0	.4
State Coll & Univ ^c	2,255.0	2,434.0	2,693.0	2,519.0	3,031.0	2,976.0	32.0
Independent Inst	491.0	482.0	535.0	488.0	305.0	308.0	(37.3)
Portland CPI Increased	-	10.1	13.6	13.3	8.9	6.7	64.7

^aBased on actual or projected free flow enrollments, Oregon resident FTE at independent institutions. FTE student = 45 credit hours or equivalent clock hours in postsecondary. Elementary and secondary 1981-82 and 1982-83 figures based on average daily membership and OECC projection based on mid-year estimate for 1981-82 using one-year experience.

^bOregon resident undergraduate FTE only.

^cBased on Education and General state appropriations divided by 8 institution 3-term FTE students.

^dBased on year-end average for all urban dwellers--Portland.

Source: Department of Education, Department of Higher Education, Scholarship Commission, OECC based on segmental enrollment estimates, Bureau of Labor Statistics

Source: Oregon Educational Coordinating Commission, Report Outline, 1983-85 Education Budget Assessment, July 2, 1982, Table 3-2, p.39. 100

TABLE 36
PUBLIC EDUCATION EXPENDITURES PER STUDENT
COMPARISONS, 1967-68 TO 1981-82 (EST.)

Year	Primary/ Sec. ^a		H.E.-Composite ^c		Community Colleges ^b	
	ADM	Expend/ Student	FTE	Expend/ Student	FTE	Expend/ Student
1967-68	446,619	\$ 642	39,878	\$1,225	13,998	\$ 929
1968-69	455,295	715	43,613	1,281	17,568	1,012
1969-70	462,049	787	47,056	1,363	21,851	1,051
1970-71	463,885	858	47,350	1,461	27,220	1,087
1971-72	462,524	912	46,660	1,581	30,548	1,153
1972-73	463,904	990	46,673	1,646	32,679	1,266
1973-74	460,479	1,097	46,385	1,811	36,715	1,325
1974-75	458,474	1,265	47,888	1,891	41,722	1,371
1975-76	456,926	1,444	48,715	2,180	46,410	1,478
1976-77	457,293	1,567	47,056	2,478	45,800	1,656
1977-78	457,050	1,700	46,865	2,553	46,937	1,800
1978-79	454,250	1,945	46,161	2,809	47,693	1,984
1979-80	450,093	2,207	47,243	3,062	51,335	2,064
1980-81	445,752	2,541	48,439	3,164	53,790	2,160
Est 1981-82	437,068	2,833	47,012	3,630	54,125	2,484

Bureau of Labor Statistics -- Year end average consumer price index for all urban consumers, Portland, Oregon.

a. Department of Education--"Current Operating Costs for Resident Pupils," 1971-72 to 1974-75, "Audited Current Expenditures per ADMr," 1975-76 to 1979-80, "Appropriations to the Basic School Support Fund" (Rec. April 1, 1982).

c. "Oregon Community College--Reimbursable Operating Costs," 1967-68 through 1981-82, Department of Education, Community College Division. Est. 15% increase-1982-83.

b. "Cost Per 3-Term FTE Student," (1967-68 to 1981-82), Dept of Higher Education.

Source: Oregon Education Coordinating Commission, Report Outline, 1983-85
EDUCATION BUDGET ASSESSMENT, Table 3-3, p.40, June 16, 1982.

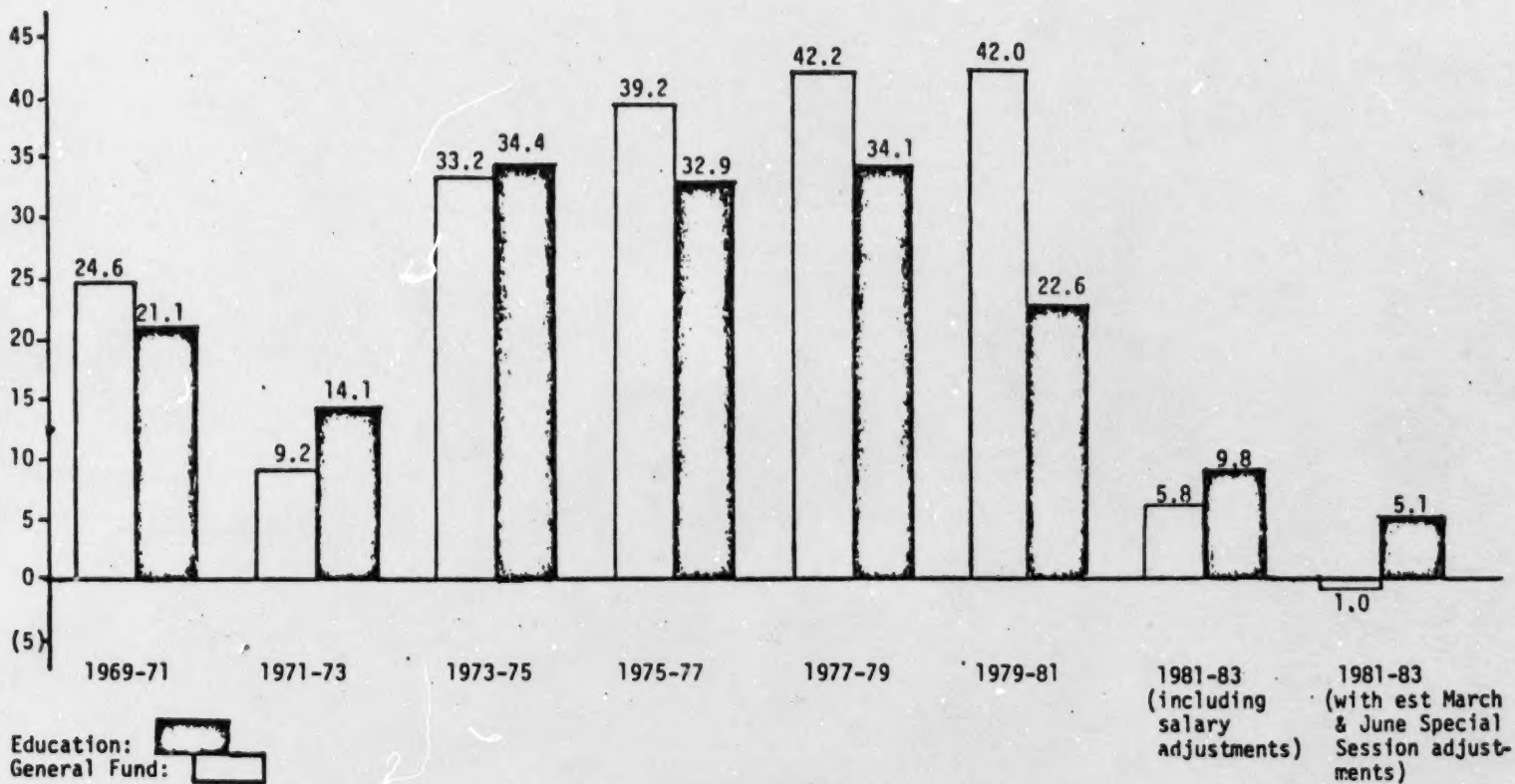
Table 37: Intersectoral Comparisons of State Appropriations per Student,
Current and Real Dollars, 1967-68 to 1982-83

<u>Education Sector</u>	<u>1967-68</u>	<u>1972-73</u>	<u>1977-78</u>	<u>1982-83</u> <u>(After June 1982</u> <u>Special Session)</u>
<u>Higher Ed.</u>				
Ed. & Gen. Svc. Approp.	\$46.2m	66.5m	113.4m	142.5m
Enrollment (FTE)	42,112	49,616	50,240	47,886 (ot)
Appropriation/FTE	\$1097	1340	2257	2976
"Real" Approp./FTE (Deflated)	1097	1121	1252	1041
Cum. % Chg. Since 67-68	--	2.2	14.1	-5.1
% Chg. over preceding 5 yrs.	--	2.2	11.7	-16.9
<u>Community Colleges</u>				
Appropriation	\$6.5m	19.7	39.6	46.9
Enrollment (FTE)	13,999	31,679	46,937	55,350
Appropriation/FTE	464	603	844	847
Real Approp/FTE	464	505	468	296
Cum. % Since 67-68	--	8.8	0.9	-36.2
% Chg. over Preceding 5 yrs.	--	8.8	-7.3	-36.8
<u>Elementary/Secondary</u>				
Appropriation	\$77.9m	104.1	269.0	426.2
Enrollment (ADM)	452,298	464,188	457,050	433,888
Appropriation/ADM	172	224	589	982
Real Approp/ADM	172	187	327	343
Cum. % Since 67-68	--	8.7	90.1	99.4
% Chg. over Preceding 5 yrs.	--	8.7	74.9	4.9
CPI-U, Portland	100	119.5	180.2	286.0 est.

(1981 = 278.3)

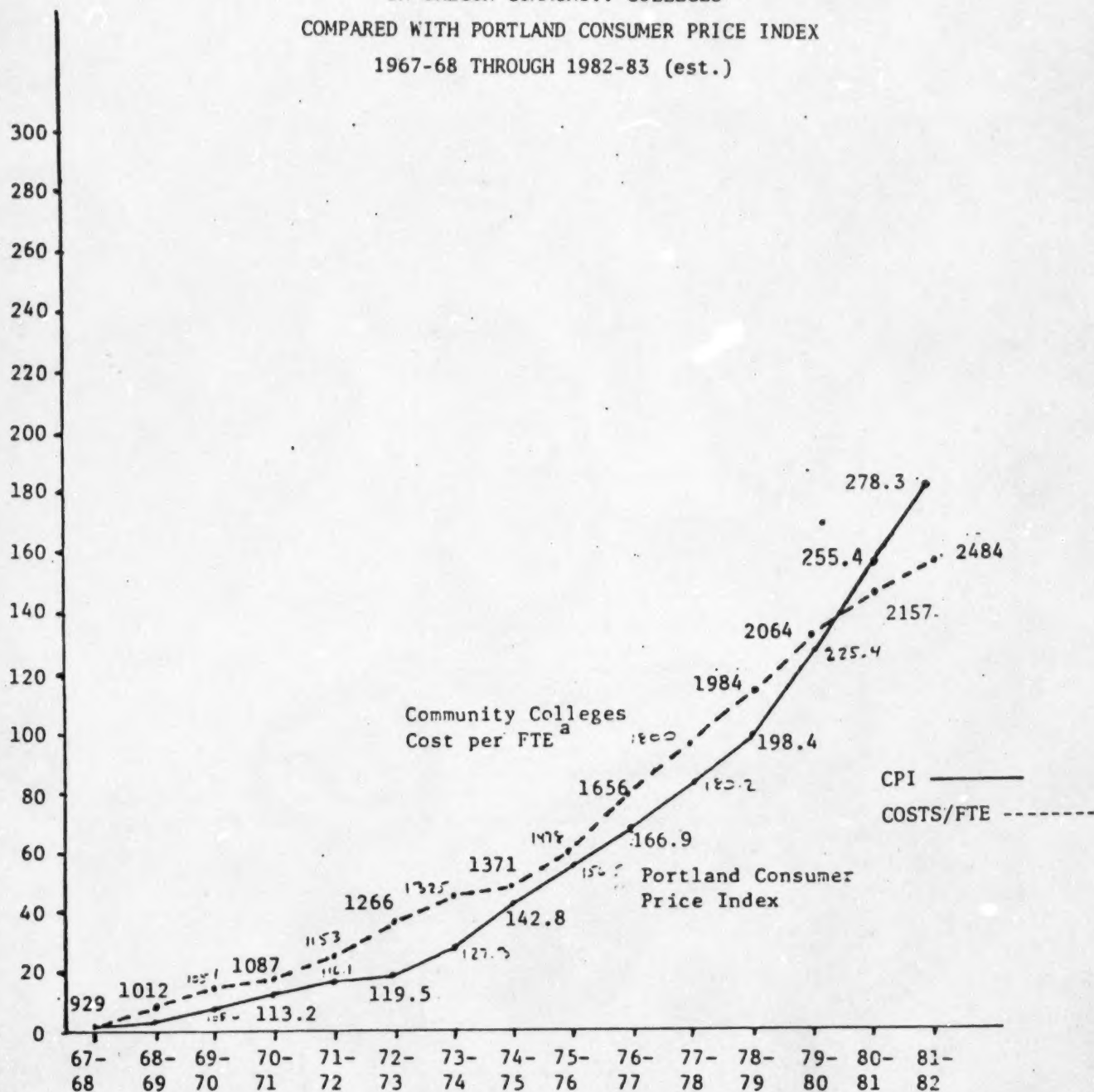
FIGURE 1
GENERAL FUND AND EDUCATION
APPROPRIATION INCREASES
1967-69 - 1981-83

Percent
Increase



Source: OECC, Executive Department Budget Documents 1967-69 - 1981-83
OECC 6/21/82 Revised

FIGURE 2
REIMBURSABLE OPERATING COSTS PER FTE STUDENT
IN OREGON COMMUNITY COLLEGES
COMPARED WITH PORTLAND CONSUMER PRICE INDEX
1967-68 THROUGH 1982-83 (est.)



^a Cost per FTE prior to 1978-79 based on all students, from 1978-79 to present on reimbursable students only.

Sources: Department of Education - 1978-79 to 1982-83 from Department of Education Budget 1981-83 (13 colleges only);
Bureau of Labor Statistics - CPI 1967 to 1979 year end averages;
Legislative Revenue Office - est. CPI 1980, 10 percent increase per year thereafter.
OECC, 1981-83 Education Budget Analysis

FOOTNOTES

1. Table 1, following the text of this report, shows the dollar amounts and percentages of total revenues raised from major sources for the 1981-83 biennium. Table 2 shows expenditures by major category. Figures shown are estimates at the end of the June 1982 special legislative session.
2. Table 1
3. See Table 1. Table 2 shows General Fund appropriations for the 1981-83 biennium, as planned at the end of the regular session and at the end of the June 1982 special session. Some appropriations are larger in the second column due to salary and benefit adjustments approved earlier, but not included by agency in the first column.
4. Transfer payments are indicated on Table 2, with each category preceded by an asterisk ("*").
5. Table 3, prepared by the Education Coordinating Commission, shows education appropriations and their percentage share of the general fund over the last eight bienniums.
6. Figure 1, prepared by the Education Coordinating Commission, is of some interest because it shows the increases in the General Fund and corresponding increases in education appropriations over recent bienniums.
7. Estimated revenues for each of these sources are shown on Table 4.
8. Table 5
9. Tables 4 and 5 are of some interest when studying a component of government such as education in that they provide a total budget picture. Table 5 shows that legislators at the regular session anticipated education having a total education budget of \$2.34 billion for the biennium. This amount has been reduced to \$2.33 billion, about 0.4 percent, as of June 1982 special session.
10. Relative shares by each type of local government are shown on Table 6.
11. Table 7 shows the relative importance of various revenue sources for Oregon local government for 1979-80.
12. The reliance of schools on property taxes is also shown in more detail on Table 8, Property Taxes by Unit of Government, 1980-81 Fiscal Year. That table shows that 59.0 percent of property tax levies are for elementary and secondary education. Table 9 shows property tax levies and annual increases for the major units of local government. Levies for schools and ESDs have increased at an average annual rate of 9.1 percent from 1970-71 to 1981-82, but at 15.6 percent per year on average since 1978-79.
13. Refer to Table 6 for revenue sources for all local government units.
14. Oregon law now requires local taxing districts to seek voter approval of new tax bases under other specified conditions. ORS 328.542 requires a school district to seek a new tax base in any even-numbered year following July 1 of a fiscal year during which the district levied taxes outside its tax base. ORS 310.135 requires all other districts to seek a new tax base if they had levies outside their tax base in three out of four preceding years, if they have not attempted within that time to establish a new base.
15. For the 1982-83 tax year 235 districts had a tax base and 28 districts, such as in the four rural ESDs could not have tax bases. Thus for the 309 districts, of the 281 districts that could have a tax base, there were 46 without one.
16. Once voters approve the tax rate serial levy, the district will receive whatever amount can be raised by the tax rate applied against the assessed value of property located in the district. A district can receive no more than the amount of revenue needed to balance its budget, even if the tax rate would raise a larger amount.

17. It is sufficient here to note that Oregon has a property tax roll divided into two classes of property: owner-occupied principal residences and all other property. Each class can increase in assessed value by no more than 5 percent per year in total, but individual properties within each class may increase by more or less than 5 percent. Assessed values of property therefore are less than market values, which results in higher tax rates than otherwise would occur.

Also omitted from discussion is Oregon's A/B ballot system, which separates tax levies into two parts -- an "A" levy and a "B" levy. The "A" levy is that amount eligible for homeowner property tax relief from the state -- the 30% relief property tax relief program discussed later in this report. The "B" levy is the amount that exceeds limits set by the state and thus is not eligible for partial state payment.

18. See Table 10.
19. Those using Department of Education data must be wary when comparing years: the forms and accounts change. While it is desirable to make comparisons using audited data, there are undesirable time lags involved. (The last complete audited data report is for 1979-80; 1980-81 is missing one district.) Table 11 shows both budgeted data and audited data for 1980-81. There is a difference in the numbers -- local resources account for 49% of the total budget on audited data, but 55% on budgeted data. It also should be noted that, when computing percentage shares of expenditures funded from local sources, the current property tax levy requirement, exclusive of estimated uncollected taxes, was used in addition to prior year's tax collections.
20. See Table 10.
21. Table 12 shows BSSF appropriations, current operating expenditures and the resulting percentage of state support for each year since 1947-49. "Total current operating expenditures" are the district's expenditures and do not include education expenditures by ESDs or by the state.
22. $\$34.9/\$64.3 = .543$
23. The fund was originally established during the 1848 land grant act and was to include the proceeds from the sale of the 16th and 36th sections of every township "or lands selected in lieu thereof" (ORS 327.405).
24. Instruction for regular programs accounts for 40.4 percent of total expenditures. "Regular" programs are defined as instructional activities designed primarily to prepare students for activities as citizens, family members, and workers, as contrasted with "special" programs designed to improve or overcome physical, mental, social and/or emotional handicaps. The elementary, middle-school and secondary instruction that the majority of students receive is "regular" program instruction. For a detailed account of expenditures for 1981-82, see Table 14.
25. Department of Education, Program Budgeting and Accounting Manual.
26. Table 15 provides a breakdown of General Fund expenditures.
27. Expenditures and percentages for selected general fund program categories for years 1977-78 to 1981-82 are shown on Table 16. The statewide totals are from budget summaries, not actual audited data. However, they do provide relative magnitudes and are useful for exploring trends.
28. Table 17 shows the statewide average current expenditures per pupil for each year from 1967-68 to 1981-82. Also shown is the annual percentage change in expenditures per pupil.
29. The Portland Consumers' Price Index for All Urban Consumers is the most common index used for monitoring inflation in Oregon. Other measures often used to monitor inflation are the implicit price deflators for the Gross

National Product (GNP) and for various components of the GNP such as purchases of government goods and services.

Table 18 shows the Annual Average Portland Consumers' Price Index for All Urban Consumers (CPI-U) from 1967 to 1981. Also shown are two other national indexes: the implicit price deflators for the Gross National Product and for Purchases by State and Local Governments. From 1967 to 1981 the CPI-U index had an average growth rate of 7.58 percent per year.

30. Table 19 shows the amounts of revenue raised by major category for all ESDs in the 1981-82 fiscal year.
31. Table 20 provides information similar to that shown on Table 19, but allows comparison of recent years. To facilitate comparisons, Table 20 also shows budget requirements exclusive of the BSSF "pass-through".
32. Table 21 shows the ECC results.
33. Federal law concerning special education provides that the federal government will fund 40 percent of the excess costs incurred for special education, such as for handicapped students. Federal appropriations, however, have provided only about 10%.
34. Missing are the counties of Jackson, Lake & Lincoln and in Eastern Oregon between Umatilla and Malheur counties.
35. Reimbursable costs are those incurred in providing instruction to Oregon residents enrolled in courses approved by the Department of Education. There are certain courses, sometimes referred to as hobby and recreation courses, for which colleges get no state reimbursement. There are other non-reimbursable courses, called "separate contract" courses, which also receive no state support. These are situations such as when the college enters into an agreement with a company or union to train employees or prospective employees. Normally the company/union pays the entire costs of the instruction.
36. Table 22 shows reimbursable program operating costs for each college, and also shows the amount and percentage of revenues by category.
37. Table 23 has been prepared to show changes in the percentage of reimbursable costs that is received from each of the three main revenue categories.
38. FTE enrollment is not the same as "headcount enrollment" (which is the number of individuals enrolled). FTE enrollment is a derived number that is intended to represent the course work taken by a typical student in a year, and the calculation depends on the type of instruction. For vocational students, one FTE is 680 clock hours. For lower division collegiate students, one FTE is 45 credit hours per year.
39. Table 24 shows 1981-82 average tuition for each of the community colleges.
40. ORS 341.009 (17)
41. It is not yet possible to tell what portion of total costs are funded by property taxes and other local sources. The \$56.2 million levy is for more than just reimbursable operating expenditures, being used to at least partially fund non-reimbursable programs, construction and debt. Table 8, earlier, showed that community college property tax levies comprised 4.5 percent of total property tax levies.
42. Table 25 shows rates for 1979-80, 1980-81 and 1981-82.
43. That data is reproduced on Table 26.
44. See Table 23.
45. This information is shown on Table 27.
46. Figure 2 shows community college operating costs per student compared to the Portland Consumers' Price Index.
47. The structure and organization of each of these components were described in an earlier report, which also included a description of the financial structure of independent colleges.

48. It should be noted that different budgets that can be used to analyze higher education finance can complicate understanding. Most policy discussions center on the Higher Education operating budget or, within that budget, the Education and General Services budget. There also is a more comprehensive Higher Education budget summarized in the biennial Governor's Recommended Budget that covers more biennial expenditures, much of which needs approval by the Legislature. Other budgets cover all expenditures, whether or not they require legislative approval.
49. Statistics are from the Governor's Recommended Budget, 1981-83 and the state's ABIs Budget Preparation Report, 1983-85 Biennium, dated 1/17/83 for the Governor's Budget Recommendations.
50. Ibid.
51. It is difficult to determine the total amount of revenues by source for the entire operating budget. There are tables printed in the budget that show revenue sources for some accounts, but there are complications -- such as the inclusion of the state's biennial appropriation as income in the budget for the first year of the biennium. Also, income from specific auxiliary activities is not shown, nor are the amounts of federal funds explicitly identified in the Gifts, Grants and Contracts portion of the operating budget.
52. This corresponds to other figures obtainable from the Report of the Controller for Higher Education, in which tuition for the 1979-81 biennium was 13.0 percent of total revenues.
53. Note the impact of performing analyses on different budgets: it was earlier stated that federal funds comprised 14 percent of the total legislature-approved higher education biennial budget -- \$176.6 million, but federal funds are specifically identified as only 1.3 percent, \$7.0 million, of the operating budget for one year. This probably is explained by most of the federal funds for research activities and equipment being included as gifts, grants and contracts.
54. See Table 30.
55. Table 31 reproduces the Education and General Services summary data on estimated source and application of funds.
56. Instructional costs on which student percentages and tuition are calculated are not equivalent to the Education and General Services Budget.
57. A breakdown of these expenditures by institution is on Table 32.
58. Table 34, prepared by the Oregon Education Coordinating Commission.
59. As with the other components of education, it is useful to examine expenditures on a per student basis. Table 33 shows costs per FTE (Full Time Equivalent) for 1 3-term academic year, by class-level and on a composite basis, since 1977-78. The figures are determined by the Department of Higher Education and are based on six institutions, omitting Oregon Institute of Technology and the Health Sciences University, due to their atypical costs.
60. Tables 34 and 35.
61. Data for the growth indexes are shown on Table 35.
62. See Table 37.